

Report of the Treasurer

Medium Term Financial Plan (MTFP) Update

Purpose of report

1. To inform Members of the current position on the MTFP and limited information available on future budgets.
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Recommendation

It is recommended that the Authority:

- i. Approves the known changes to the Medium Term Financial Plan (MTFP);*
- ii. Notes that the outcome of the Comprehensive Spending Review (CSR) and its impact on the emerging MTFP is still awaited; and*
- iii. Notes that the Policy and Resources Committee will receive further reports as more information is received.*

Introduction and Background

2. In February 2021 the Authority approved a budget for 2021/22 and an MTFP for the period up to 2024/25; this was based on very uncertain information for years beyond 2021/22.
3. The most recent Policy and Resources Committee approved some changes to the budget (and consequently to the MTFP) in relation to Retained Business Rates estimates, and some other changes to minor grants and expenditure are now known.
4. Ordinarily this Report would cover the implications of the new year's financial settlement as details started to filter through, however the results of the Comprehensive Spending Review (CSR) are not expected until late October and indications are that useable information at individual authority level will not emerge until very late December.
5. The report therefore focuses on what is known and gives indications of the various areas of potential change in the future unknowns. There is no reliable information on the likelihood or scale of any of the variations and therefore at this stage no "most likely" scenario can be planned with any credibility.

Changes to the MTFP

6. In February 2021 the Fire Authority approved an MTFP based on core assumptions which had small surpluses/deficits over the period. These were considered manageable pending the expected 3-4 year settlement flowing from the CSR. Part of the Reserves has been set aside to cover the net deficit of around £0.9m.
7. The table at paragraph 8 below summarises the known variables and is explained below:
 - a. Pay Awards – in line with most Fire Authorities, and in line with the government's clear direction, no provision was made for pay awards in 2021/22, but the Employer side of the national negotiating bodies have made an offer, which has been settled at 1.5% for grey book staff and a revised offer of 1.75% made to green book staff.
Grey book staff are firefighters and fire control staff, sometimes referred to as uniformed staff and green book staff are support staff (although some do wear uniform).
 - b. Firefighters pension scheme (FFPS) employer's contribution rate. The new (increased) rates which will take account of the McCloud/Sargeant remedy, which were expected from April 2022 have now been advised as put back to April 2024.
 - c. Since the date of the Authority meeting more clarity has emerged over the Retained Business Rate estimates and as a result the budget and forecast are amended.
 - d. In a similar way the Taxation Income Guarantee grant has been amended downward as government revised the rules as actual information became available.
 - e. Finally government have identified that due to a Home Office error, fire-link grant has nationally been paid at too high a level in 2020/21 and 2021/22 is being adjusted to the correct (lower) level and to recover the overpayment
8. The net impact on the MTFP is shown below:

	2021/22	2022/23	2023/24	2024/25
	Budget	Forecast	Forecast	Forecast
	£m	£m	£m	£m
MTFP - Expenditure: Feb 2021	35.056	36.467	37.217	38.180
21/22 Pay Awards 1.5%	0.268	0.339	0.339	0.339
Green book at 1.75%	0.010	0.010	0.010	0.010
FFPS-McCloud/Sargeant Contrib. Rates		(0.400)	(0.400)	
MTFP - Expenditure: Current	35.334	36.416	37.166	38.529
 MTFP - Funding: Feb 2021	 (35.187)	 (35.994)	 (36.977)	 (37.825)
Retained Business Rate Corrections	0.130	(0.208)	(0.212)	(0.227)
Revised Taxation Income Guarantee	0.059	0.059	0.060	
Reduced FireLink Grant	0.048	0.023	0.023	
MTFP - Funding: Current	(34.950)	(36.120)	(37.106)	(38.052)

Structural Gap/(Surplus): Feb 2021	(0.131)	0.473	0.240	0.355
Structural Gap/(Surplus): Current	0.384	0.296	0.060	0.477

9. Overall the net draw on reserves has increased from £0.9m to £1.2m.

Future Variables

10. As has been stated previously there is still uncertainty over direction of funding that may arise from the CSR and the table below just gives an indicating of some of the potential impacts. *(Note: a figure in brackets indicates an impact that reduces the deficit).*

	2022/23	2023/24	2024/25
	£m	£m	£m
1) 5% cut per year in SFA	0.544	1.071	1.583
2) 25% cut per year in RSG	0.562	1.124	1.688
3) 10% cut per year in SFA	0.932	1.790	2.208
4) 15% cut per year in SFA	1.321	2.164	2.208
5) continuation of Rural Service Grant	(0.115)	(0.115)	(0.115)
6) 0.1% additional increase in tax-base	(0.025)	(0.050)	(0.075)

SFA = Settlement Funding Assessment – the figure which government determines will be funded from Retained Business Rates, Business Rate Tip-up Grant and Revenue Support Grant.

RSG = Revenue Support Grant, one of the elements that make up RSG.

11. In addition the following areas have uncertainty around them:
- Pension Grant - £1.6m. Introduced as a temporary funding measure in 2019/20 to cover the significantly increased cost of employers contributions, this was intended to be dealt with through the next CSR. In the interim it has been passed from Home Office back to Ministry of Housing & Local Government (MHCLG) for inclusion in core funding and it is uncertain if the existing distribution can be maintained.
 - Pension Costs – FFPS rates are due for revision from April 2022 (now probably 2024) and at the moment the formula for the discount rate to be used indicates another potential increase significantly greater than the £1.6m experienced in 2019/20. It is not yet clear how government intends to handle this.
 - Pension increases – As injury pensions (and On-call pensions prior to 2006/2000) are paid from the revenue account the “triple-lock” arrangement if implemented would increase costs by an additional £0.050m.
 - Early indications are that the cost of the Emergency Service Network (ESN) may be less than the current Firelink arrangements, by up to £0.2m from 2024/25, but there is still a lot of detail to be provided before this can be relied upon.

ESN is the new national emergency services communications network being developed by government. Firelink is the Fire element of the

existing government developed communications system, sometimes know as Airwave.

Conclusion

12. Other than the revisions identified at paragraph 8 above, there is insufficient reliable information to amend the MTFP further at this stage. However, excepting the external “unknowns” the Plan remains within the manageable parameters accepted in Feb 2021.
13. Further reports will be brought to the Authority and Policy and Resources Committee as information on the CSR and then the grant settlement emerges.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	Whole Report
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	None
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	None
Consultation (identify any public or other consultation that has been carried out on this matter)	None
Equalities (has an Equalities Impact Assessment been completed? If not, why not?)	N/A