

## Report of the Treasurer

### 8. Revision to the Medium Term Financial Plan (MTFP)

#### Purpose of report

1. To consider changes to the Medium Term Financial Plan, as recommended by Policy & Resources Committee.

---

#### Recommendation

***It is recommended that amendments to the Medium Term Financial Plan resulting in a revised budget gap of £1.657m by 2019/20 be approved.***

#### Introduction and Background

2. In February 2016 the Authority approved a Medium Term Financial Plan (MTFP) which showed a budget gap of £0.299m in 2017/18 rising to £2.423m by 2019/20.
3. As part of the grant settlement under-pinning the MTFP, government committed to confirming the four grant allocations for those Authorities that submitted an Efficiency Plan. The intent is that those Authorities that do not do so may be subject to further grant reductions
4. Details of the Home Office's requirements about the Efficiency Plan now indicate that it would be helpful for the Authority to re-align the current MTFP assumptions.
5. These changes to the MTFP were considered by Policy & Resources Committee on 21 September 2016 and are recommended for approval by the Authority prior to the 14 October deadline for submission of the Efficiency Plan.
6. Additionally there are changes that have already occurred in respect of the 2016/17 budget which have an impact into future years.

#### Changes to the MTFP

7. Appendix 1 shows the impact of all the proposed changes to the MTFP which are outlined below:
  - a. 2016/17 Pay Awards: The budget and MTFP made provision for pay awards at 2%, these national awards have now been agreed at 1% for all staff groups, resulting in a saving in the base budget.
  - b. 2016/17 base inflation: Although provision is made for general inflation it is only allocated to budget holders when an evidenced case is made. It has

not been necessary to allocate the whole provision so the balance can be deleted from future years' requirements.

- c. HQ Rental Service Charge: there is now sufficient information to quantify the running costs of the building that are payable by the tenant.
- d. Future Pay Awards: provision had previously been made at 2% but government policy remains that public sector pay increases should not exceed 1%. There is a risk that the Home Office may reject the Authority's Efficiency Plan if it is based on different assumptions.
- e. Firefighter Pension Rates: Government has announced that the discount rate used in calculating future pensions liability is to be reduced. This has the consequence of increased employer costs from 2019/20.
- f. General Balances: Within the context of the overall precept strategy (to secure the future) the net effect of these changes allows the approved use of general balances to be deferred by a year. When the 2017/18 budget is considered in detail the Authority will be able to consider the final position more thoroughly.

## Conclusion/Summary

8. The net result of these changes is that (subject to detailed changes) there is a balanced budget in 2017/18 and gaps of £0.480m and £1.657m in 2018/19 and 2019/20 respectively. The changes have been considered by Policy & Resources Committee and are recommended for approval by the Authority.

## Corporate Considerations

<b>Resource Implications</b> (identify any financial, legal, property or human resources issues)	Impact on future budget
<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).	None
<b>Risk Management / Health &amp; Safety</b> (identify any risks, the proposed control measures and risk evaluation scores)	None
<b>Consultation</b> (identify any public or other consultation that has been carried out on this matter)	None
<b>Equalities</b> (has an Equalities Impact Assessment been completed? If not, why not?)	None

## Contact Officer

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