

MEDIUM-TERM FINANCIAL PLAN (MTFP) 2019/20 ONWARDS AND SCENARIO PLANNING

SUMMARY

1. This report contains the next update on the Authority's Medium-Term Financial Plan (MTFP) for 2019/20 onwards and also sets out the timescales and milestones for a scenario planning exercise.

RECOMMENDATIONS

2. Members note the position on the Medium-Term Financial Plan for 2019/20 onwards and the initiation of scenario planning for 2019/20 onwards.

MEDIUM-TERM FINANCIAL PLAN 2019/20 ONWARDS

3. Members will recall the report on the MTFP 2019/20 onwards that was considered at the September HFA meeting.
4. Further updates have been made to the MTFP since the September meeting and the overall position is shown at Appendix 1 to this report.
5. Particular attention has been paid to ensuring that the MTFP captures the budget pressures that are arising in the current financial year management accounts that are considered elsewhere on this agenda.
6. Most prominently the pressures related to wholetime firefighter pay and other costs associated with training and equipping new firefighter recruits.
7. The MTFP is balanced over the medium-term and will be refined again in light of new and updated information and the update will be brought to the December HFA meeting.
8. The financial environment continues to be highly uncertain and challenging and the occurrence of any of the potential risks below would undermine the balanced MTFP position. Significant financial risks remain and are as follows:-

Employee costs

Most notably: pay awards; the discussions at a national level relating to the role of a firefighter; and employer pension contributions for the firefighter pension scheme.

There is increasing evidence (and no formal announcement for Fire and Rescue yet) that the increase in the employer pension contribution rate could increase significantly from 2019/20.

The rate is dictated nationally by HM Treasury and could increase from circa 17% of pay to over 30%. This would result in an additional pressure for Humberside of circa £3m per year.

This is a major concern and has also created a high level of debate within Policing which has already received a notification of this level of increase.

It is unclear whether grant from Government will be made available to meet some or all of the financial impact.

Members will be kept updated on this key issue as it develops over the coming days and weeks.

Comprehensive Spending Review (CSR) 2020

Little detail is currently available on how the CSR 2020 will unfold but there are already significant financial pressures within most Government Departments. Local Authorities and Fire and Rescue have been afforded little protection from austerity in the past 8/9 years.

Fire Funding Formula Review

The Government has announced a review of the grant mechanism that is used to distribute funding from Government to Fire and Rescue Services. The impact of this could be a reduction in grant funding for some services and an increase in grant funding for others.

Brexit

Two aspects may impact here with a possible deterioration in public finances at a national level and also an increase in supplier costs for certain items and commodities.

9. The Service has a strong track record of managing its finances through what has been a very challenging period of austerity. £11m of efficiencies were identified and delivered between 2011 and 2018. That said, the Service must continue to prudently plan for the medium-to-long term.

SCENARIO PLANNING

10. In light of the position that is set out above, it is proposed that a robust scenario planning exercise is undertaken between now and July 2019. This process will fit with the cyclical review of the Service's Integrated Risk Management Plan (IRMP).
11. The Scenario Planning Exercise will cover the following:-
 - An exercise to reprioritise funding where required to meet short-to-medium pressures;
 - Options from across the Service to meet a 5%, 10% and 15% reduction in funding from Government;
 - Continuation of the Horizon Scanning exercise that commenced in August 2018 to assess the challenges and opportunities that the Service may face over the next 10 years to 2030.
12. Appendix 2 of this report sets out the broad timescales and milestones for the Scenario Planning Exercise. Terms of Reference will be drawn-up as part of the Project Initiation Process. The outcomes of the Exercise will feed into the Medium-Term Financial Planning process for 2020/21 onwards and also provide mitigation against the major financial uncertainties that lie ahead beyond 2020. Any early outcomes that impact the allocation of funding to priorities for 2019/20 will be incorporated into the MTFP process for 2019/20 onwards.

13. Ultimately the Exercise aims to ensure that the Service can withstand significant financial shocks and also resource key areas of activity to ensure the continuation of an efficient and effective service to our communities.

STRATEGIC PLAN COMPATIBILITY

14. Sound financial planning enables the Authority to deliver efficiencies in a timely manner and allows focus upon the achievement of the Authority's strategic objectives.

FINANCIAL/RESOURCES/VALUE FOR MONEY IMPLICATIONS

15. The Authority has a strong track record in dealing with the significant challenges that austerity has brought since 2011. This has involved early decision making with regard to efficiencies so that the impact on the Service can be kept to an absolute minimum.

LEGAL IMPLICATIONS

16. The Authority has a statutory duty to set a balanced budget and has consistently complied with this requirement.

EQUALITY IMPACT ASSESSMENT/HR IMPLICATIONS

17. Equality Analysis will be undertaken for any efficiency proposals considered over the period.

CORPORATE RISK MANAGEMENT IMPLICATIONS

18. Managing within austerity has been on the Authority's Corporate Risk Register for some considerable time and the steps suggested in this report should ensure that the Authority continues to mitigate this risk whilst still providing a first-class service to its communities.

HEALTH AND SAFETY IMPLICATIONS

19. No direct issues arising.

COMMUNICATION ACTIONS ARISING

20. The Authority's Efficiency Plan 2016-2020 and MTFP have both been published.

DETAILS OF CONSULTATION AND/OR COLLABORATION

21. SLT, TLT, HFA and the wider organisation will be consulted throughout the Scenario Planning Exercise.

BACKGROUND PAPERS AVAILABLE FOR ACCESS

22. Working papers for the 2019/20 MTFP.

RECOMMENDATIONS RESTATED

23. Members note the position on the Medium-Term Financial Plan for 2019/20 onwards and the initiation of scenario planning for 2020/21 onwards.

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