

FINANCIAL OUTLOOK 2017/18 TO 2021/22

SUMMARY

1. This report considers the Authority's financial prospects for the years 2017/18 to 2021/22 and the likely level of efficiencies that will be required over that period. The report also provides a robust rationale for a prudent minimum level of general reserves (PMGR).

RECOMMENDATIONS

2. That Members note the financial outlook for the Service through to 2021/22 and approve the prudent minimum level of general reserves (PMGR) set out in the report.

CURRENT FINANCIAL POSITION 2016/17 AND 2017/18

3. The Authority's outturn for 2016/17 delivered an underspend of £1.095m and a closing level of total Revenue Reserves of £10.6m.
4. The Authority has set a balanced budget for 2017/18.
5. Austerity remains a feature for the short-to-medium term and the Brexit process underway at the moment creates a further degree of uncertainty over future public spending levels.

2018/19 ONWARDS

6. The current financial projections for 2018/19 to 2021/22 have been updated based on the latest assumptions and information and are shown in Appendix 1 of this report.
7. The key assumptions applied are shown in the table below:-

Assumptions applied to the Medium-Term Financial Plan for 2018/19 to 2021/22

	2018/19	2019/20	2020/21	2021/22
Pay Awards	1%	1%	2.5%	3.6%
External Grant*	(4.5%)	(2.1%)	0%	0%
Precept Increase	1.9%	1.9%	1.9%	1.9%
• Rates/Fuel	5%	5%	5%	5%
• Utilities	6%	6%	6%	6%
• Insurance	15%	5%	5%	5%
• Other	0%	0%	0%	0%

* Brackets indicate a minus % change

8. Furthermore, the Authority's financial projections have been updated to incorporate all previous decisions relating to efficiencies.

9. Members will see from Appendix 1 that over the medium-term the MTFP is balanced. This is on the assumption that the Service Redesign Programme (SRP) can deliver £200k of efficiencies by 2018/19 and in addition another £300k by 2019/20.
10. Clearly, the position of a balanced MTFP will be challenged if the Service faces higher cost increases than those set out in the table. Most notable here would be pay increases above 1% which are not funded by Government. Each 1% on grey book pay adds £250k to the pay bill and therefore a need to find a further similar level of efficiencies.

4-YEAR FUNDING SETTLEMENT 2016/17 TO 2019/20

11. Members may recall from the 27 June 2016 Fire Authority meeting that the Home Office had written to FRSs setting out the 'offer' of a 4-year funding settlement in return for an approved Efficiency Plan from those FRSs that wish to be considered.
12. An Efficiency Plan for 2016-2020 was developed by the Service which dovetails with the underpinning Medium-Term Financial Plan and was subsequently approved by the Home Office.
13. The progress update for the 2016-2020 Efficiency Plan was considered and approved at the July 2017 Fire Authority meeting.

PRUDENT MINIMUM GENERAL RESERVE (PMGR)

14. Reserves are held by the Authority to meet general financial risks and costs that may materialise (General Reserve) and also to meet specific project costs or financial liabilities (Earmarked Reserves).
15. Appendix 2 of this report sets out the projection of the Authority's General and Earmarked Reserves over the period 2018/19 to 2021/22.
16. The General Reserve is maintained at a level of circa £5m over the whole period as the backdrop to the Authority's robust financial planning.
17. Appendix 3 of this report sets out the analysis that has been undertaken to underpin the need to maintain a General Reserve of circa £5m. More generally, financial risks at a macroeconomic level are likely to be volatile over the medium-term as the impact of Brexit is felt and due to ongoing austerity as a result of the UK's public finances.
18. By way of comparison the table below sets out Total Revenue Reserves as a percentage of the Revenue Budget for the four FRSs in Yorkshire and Humberside at 31 March 2017:-

<u>FRS</u>	<u>Revenue Reserve as a % of Revenue Budget</u>
Humberside	26%
North Yorkshire	22%
South Yorkshire*	51%
West Yorkshire	41%

* Just over half of the Revenue Reserves declared by South Yorkshire are earmarked for investment in the capital programme.

19. The comparison shows Humberside's position to be robust and reasonable and underlines the need to maintain an operating General Reserve of circa £5m which is the projected position for the Service shown in Appendix 2 through to 2021/22.

STRATEGIC PLAN COMPATIBILITY

20. 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

21. 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

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

EQUALITY IMPACT ASSESSMENT/HR IMPLICATIONS

23. Equality Analysis will be undertaken for all efficiency proposals considered over the period to 2020.

CORPORATE RISK MANAGEMENT IMPLICATIONS

24. 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

25. No direct issues arising.

COMMUNICATION ACTIONS ARISING

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

DETAILS OF CONSULTATION AND/OR COLLABORATION

27. CMT have been fully engaged in the formulation of the Medium-Term Financial Plan.

BACKGROUND PAPERS AVAILABLE FOR ACCESS

28. Budget report for HFA in February 2017 and Progress Update for the Efficiency Plan 2016-2020 July 2017 HFA.

RECOMMENDATIONS RESTATED

29. That Members note the financial outlook for the Service through to 2021/22 and approve the prudent minimum level of general reserves (PMGR) set out in the report.

K WILSON

Officer Contact: Kevin Wilson ☎ 01482 567183
Executive Director Service Support/S.151 Officer

Humberside Fire & Rescue Service
Summergroves Way
Kingston upon Hull

KW/SJ
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