

## REPORT OF THE TREASURER

# MEDIUM TERM FINANCIAL PLAN

### 1 Purpose of Report

This report updates the Fire Authority's medium term financial plan, as part of the process of embedding financial plans, budgets and capital programme within the delivery of service priorities.

### 2 Recommendations

Members are asked to note the potential work needed to produce a Medium Term Financial Plan (MTFP) and commission a first draft to be brought to the next meeting of the Strategy and Resources Committee (25 May 2006).

### 3 Background

The Fire Authority has always attempted to link a three-year budget to its strategic planning. In particular, during the 2006/07 budget process this has involved bringing together Integrated Risk Management Planning and the Retained Review within the budget.

During Comprehensive Performance Assessment (CPA) attention was drawn to the need to have a more formal MTFP. This will be emphasised when CPA concentrates on "Use of Resources" and the type of key lines of enquiry (KloE) for financial management set out in the appendix to the report "Audit Commission Assessment – Use of Resources" at item 6 on the agenda for this meeting.

### 4 Developing a Medium Term Financial Plan

The Audit Commission has helpfully provided an example of good practice from Kent County Council. This runs to some 100 pages excluding all appendices. Clearly the complexity of one of the largest authorities in the country makes this less than comparable with this authority, but the structure and issues dealt with could easily be adapted.



Set out below are the key sections with a short description of content.

| <b>Pages</b> | <b>Section</b>  | <b>Content</b>   |
|--------------|---|--|
| 1            | i. Foreword by the Leader and Cabinet Member for Finance    | One page political statement of objectives for services and finance  |
| 1            | ii. Foreword by the Chief Executive – Director of Resources | Financial statement of contents with particular reference to efficiencies and savings  |
| 11           | iii. Introduction and Service Priorities                    | <ul style="list-style-type: none"> <li>- Three year revenue and capital budget</li> <li>- Service priorities</li> <li>- Core principles –               <ul style="list-style-type: none"> <li>a) Sound financial management and value for money</li> <li>b) Risk management</li> <li>c) Customer care</li> <li>d) Workforce development</li> <li>e) Working in partnership</li> <li>f) Investing in technology</li> </ul> </li> <li>- How it all links</li> </ul> |
| 14           | iv. National Context  | <ul style="list-style-type: none"> <li>- Public finances</li> <li>- Grant settlement, lobbying and capping</li> <li>- Reform/modernisation</li> <li>- Efficiency requirements</li> <li>- “Lyons” Review; Balance of funding</li> <li>- Census and population</li> <li>- Prudential Code and capital</li> <li>- Future change – revaluation etc.</li> </ul>   |
| 11           | v. Overview of Revenue for the Council                      | <ul style="list-style-type: none"> <li>- Grant settlement</li> <li>- Budget – split into services</li> <li>- Strategy for resources allocation</li> <li>- Risks and reserves</li> <li>- Response to the grant settlement</li> </ul>  |
| 6            | vi. Overview of the Council's Capital Investment Plan       | <ul style="list-style-type: none"> <li>- Capital programme</li> <li>- Government support</li> <li>- Investment approach and strategy</li> <li>- Capital resources, including receipts, use of revenue, grants etc.</li> </ul>  |



| Pages    | Section  | Content  |
|----------|--|--|
| 5        | vii. Treasury Strategy                           | - Long term borrowing<br>- Short term investments<br>- Prudential Indicators<br>- Strategy proposals<br>- Risk<br>- Governance<br>- Performance management   |
| 20       | viii. Portfolio Plans                            | - For each service/portfolio<br>a) Key targets and commitment<br>b) Revenue Plan (3 years)<br>c) Capital Plan (3 years)  |
| 5        | ix. Appendix – Budget Risk Assessment            | - Risk<br>- Probability<br>- Impact<br>- Actions to mitigate risk  |
| 18       | x. Appendix – Pressures Improvements and Savings | - Analysis of next 3 years’ budget into these elements and especially:<br>a) Inflation<br>b) Government/legislation<br>c) Specific grant pressures<br>d) Demand led pressures<br>e) Service strategies<br>f) Savings |
| 3        | xi. Prudential Indicators                        | - Schedule   |
| ?        | xii. Budget Book                                 | - Not attached   |
| 95 pages |  |  |

## 5 Conclusion

Reading an example of good practice shows the importance of bringing together, in a single document, information that already exists:

- The revenue and capital budgets;
- Risk assessment; and
- Prudential Guidelines.

It is also interesting that the medium term is “only” three years, i.e. the value of longer term projections must be questionable.

What does seem to be directly stated are policies on:

- Service priorities
- Revenue funding
- Capital funding

and these may need to be brought together more overtly than at present in the Plan.



Finally, we do not have the equivalent of portfolio budgets and accompanying strategies and priorities. Work should, therefore, proceed to explore breaking down the budget in an appropriate way into the various services that we deliver.

## **6 Current Projections**

Attached as an appendix to this report is the current budget projection over the medium term. This is now consistent with the budget approved in February and it should be noted that:

- a) Developments are matched by efficiencies;
- b) Nothing extra is included for regional fire control rooms;
- c) Revenue support grant is assumed to increase at 2.5% a year;
- d) Council tax increase needed to balance the books must increase by 4.0% in 2007/08 and over 7.0 % in 2008/09.

Assumed increases of 4.5% in Council Tax income could leave shortfalls in 2009/10 and 2010/11 but surpluses thereafter.

## **7 Legal Comment**

There are no legal implications arising directly from this report.

## **8 Equality and Diversity Implications**

There are no equality or diversity implications arising directly from this report.

## **9 Appendix**

Medium Term Financial Plan

## **10 Background Papers**

There are no background papers associated with this report.

For further information about this report please contact Keith Dixon, Treasurer, on 01743 260202.

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|  |               |               |               |               |               |               |               |               |               |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  |               |               |               |               |               |               |               |               |               |               |
| <b>Total</b>   | <b>17,948</b> | <b>17,569</b> | <b>17,744</b> | <b>18,078</b> | <b>18,151</b> | <b>18,151</b> | <b>18,151</b> | <b>18,151</b> | <b>18,151</b> | <b>18,151</b> |
|  |               |               |               |               |               |               |               |               |               |               |
|  |               |               |               |               |               |               |               |               |               |               |
| Inflation  |               | 460           | 970           | 1,470         | 2,005         | 2,616         | 3,148         | 3,748         | 4,368         | 5,008         |
| Revenue Consequences of Captial                          |               | 97            | 246           | 427           | 702           | 790           | 910           | 1,039         | 1,162         | 1,162         |
| Developments/Efficiencies                                | -             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Regional Control Room                                    | -             | -             | -             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Grant Amending Orders                                    |               | 170           |               |               |               |               |               |               |               |               |
|  |               |               |               |               |               |               |               |               |               |               |
| <b>Total Expenditure</b>                                 | <b>17,948</b> | <b>18,296</b> | <b>18,960</b> | <b>19,975</b> | <b>20,858</b> | <b>21,557</b> | <b>22,209</b> | <b>22,938</b> | <b>23,681</b> | <b>24,321</b> |
|  |               |               |               |               |               |               |               |               |               |               |
| <b>Resources</b>   |               |               |               |               |               |               |               |               |               |               |
|  |               |               |               |               |               |               |               |               |               |               |
| Revenue Support Grant/<br>National Non Domestic<br>Rates | 7,219         | 6,936         | 7,195         | 7,477         | 7,664         | 7,856         | 8,052         | 8,253         | 8,460         | 8,671         |
| Council Tax  | 10,729        | 11,249        | 11,696        | 12,429        | 12,988        | 13,573        | 14,184        | 14,822        | 15,489        | 16,186        |
| Collection Fund  |               | 111           | 69            | 69            | 69            | 69            | 69            | 69            | 69            | 69            |
| <b>Total Resources</b>                                   | <b>17,948</b> | <b>18,296</b> | <b>18,960</b> | <b>19,975</b> | <b>20,721</b> | <b>21,497</b> | <b>22,304</b> | <b>23,144</b> | <b>24,017</b> | <b>24,926</b> |
|  |               |               |               |               |               |               |               |               |               |               |
| <b>Surplus/(Deficit)</b>                                 | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>(137)</b>  | <b>(60)</b>   | <b>95</b>     | <b>206</b>    | <b>337</b>    | <b>605</b>    |