

Buckinghamshire & Milton Keynes Fire Authority



MEETING	Executive Committee
DATE OF MEETING	30 July 2014
OFFICER	David Skinner, Director of Finance & Assets
LEAD MEMBER	Councillor Andy Dransfield
SUBJECT OF THE REPORT	Medium Term Financial Plan 2015/16 to 2018/19
EXECUTIVE SUMMARY	To present an update on the Medium Term Financial Plan process for 2015/16 to 2018/19. Attached at Appendix A and Appendix B is a list of key dates and the guidance that has been sent out to cost centre managers.
ACTION	Information.
RECOMMENDATIONS	That Members; <ol style="list-style-type: none"> 1. note the key dates at Appendix A which have been set to enable challenge and scrutiny of revenue and capital bids during the budget build and MTFP process; 2. note the guidance document at Appendix B sent out to cost centre managers in June 2014.
RISK MANAGEMENT	Management of our Financial resources is a key risk to the Authority. By projecting forward and monitoring our financial plans, we are in a better position to avoid and mitigate the risk of adverse financial consequences.
FINANCIAL IMPLICATIONS	None, for information only.
LEGAL IMPLICATIONS	None.
HEALTH AND SAFETY	None.
EQUALITY AND DIVERSITY	None.
USE OF RESOURCES	The Medium Term Financial Plan identifies the financial resources required projected into the future based on the delivery of specific aims and objectives of the Authority as set out in the Integrated Risk Management Plan and Public Safety Plan.

	Members, Strategic Management Board and many staff will be involved in agreeing priorities and the budget setting process over the forthcoming months in line with the enclosed outline timetable.
PROVENANCE SECTION & BACKGROUND PAPERS	Medium Term Financial Plan 2014/15 to 2017/18, CFA Meeting 19 February 2014;
APPENDICES	Appendix A - Key dates Appendix B - Guidance issued to cost centre managers
TIME REQUIRED	10 minutes.
REPORT ORIGINATOR AND CONTACT	Graham Young – Management Accountant gyoung@bucksfire.gov.uk 01296 744429

Medium Term Financial Plan Timetable

Activity	Objective	Dates
Timetable and briefing distributed for sign-off	To provide information on the budget setting and MTFP process for the year commencing 1 April 2015.	BTB 5 June SMB 17 June Exec 30 July
MTFP, Budget Setting, Growth and Savings and Capital Bid updates	Finance to provide update on the guidance on budget setting, MTFP and how to complete new templates and write effective business cases	June
Salary Estimates	Finance to provide salary estimates and assist cost centre managers in identifying differences and completing updated establishment	Cost centre manager sign off by end of July
Non-Salary Budgets	Finance to provide non-salary budgets and assist cost centre managers by investigating previous years actuals and identifying potential savings and growth	Cost centre manager sign off by end of July
Directors / Area Managers to meet with cost centre managers	To discuss potential growth and savings bids to report to BTB challenge session	July/August
Cost Centre Managers / Area Managers (assisted by finance) to submit revised budget forms to finance. Changes to be backed up by relevant growth and savings bids	Finance to QA submissions and collate	Deadline for return to finance 5 September
Finance collate information	To produce first iteration of overall Authority position and ensure consistency of treatment within and across Directorates and verify base position	26 September
BTB Budget Challenge	BTB to consider latest overall position, challenge bids and forward to SMB.	2 October
SMB	SMB to consider latest overall position, sign off smaller items and forward on for Members consideration, challenge and scrutiny.	21 October

First Member Budget Challenge	To test robustness and appropriateness of submissions from budget holders in light of the guidance given	27 October
Finance collate information	Second iteration to produce overall Authority position in light of feedback from Senior Officer and Member Challenge panels	3 November
Executive Committee	Update members on latest overall position, any CSR announcements and assumptions made relating to funding, inflation and pay increases.	19 November
Spending Review Announcement	If update available, potential funding position and guidance	Early December
BTB	BTB to consider latest overall position, challenge bids and forward to SMB.	4 December
SMB	SMB to consider latest overall position and forward on to Members for consideration, challenge and scrutiny.	6 January
Second Member Budget Challenge	To further test robustness and appropriateness of submissions from budget holders in light of the guidance given and to make recommendations on the implications of investment and service reduction proposals	6 January
Finance collate information	Third iteration to produce overall Authority position in light of feedback from Senior Officer and Member Challenge panels for update to SMB and Executive Committee	By 9 January
BFRS Settlement	To refine funding position once certain and update guidance	Early January to Feb – ongoing
Executive Committee	Executive Committee meeting to forward 2015/16 budget and MTFP 2016/17 to 2018/19 onto CFA	4 February
CFA Meeting	CFA meeting to approve 2015/16 budget and MTFP 2016/17 to 2018/19	25 February

MTFP 2015/16 to 2018/19 Guidance

The Medium Term Financial Plan (MTFP) is a statement of the resources that will be required to deliver the planned outcomes as set out in the Integrated Risk Management Plan (IRMP)/Public Safety Plan (PSP) and in the Corporate Plan over a four-year period.

Funding Position

The financial position of the Fire Authority for both Capital and Revenue is significantly constrained due to Government Funding cuts and restrictions affecting the level of Council Tax income resulting from the Comprehensive Spending Review. Exact figures for inflation, savings and growth requirements have yet to be agreed but the following guidance hopes to outline the methodology and timetable to enable us to gather the information required, so that SMB and Members can make decisions which will eventually produce a balanced budget for the year 2015/16 and also indicative financial plans for the years 2016/17 to 2018/19.

The Process

This will be fairly similar to last year in that we will look at current base budget for 2014/15 and amend for any changes as and when they are agreed building up line by line to get a final budget 2015/16 for each cost centre. However, we are bringing some of the dates and deadlines forward in order that there is sufficient time to produce updates for SMB and Members. A high-level timetable is attached at Appendix A.

Salary Estimates

The "establishment" is a list of posts controlled by HR which are quantified in financial terms. It has been updated to accommodate recent approved restructures and other approved changes and will be the starting point for setting the new salary budget for 2015/16.

All cost centre managers will be contacted in June by the finance team to go through the salary budgets for each of their cost centres to match the information and identify whether there are any differences to what is expected. Cost centre managers will be asked to sign-off the starting point by the end of July. No amount for salary increases will be added at this stage, should negotiations and agreement be reached at a later date, an amount will be transferred from the contingency budget to cover this.

Building up non-salary budgets

The Finance team will be completing the following work on the budget:

- start with the base 2014/15 budget,

- transfer permanent approved changes to the budget which have been applied in 2014/15,
- remove budgets for growth bids which were agreed for 2014/15 only,
- apply full year effect of items commenced in 2014/15,
- update the base for other adjustments of which we are aware,
- it is unlikely that adjustments for inflation will be made for expenditure or income during the first round, other than for known large impact changes (i.e. fuel, utilities, rates),
- add costs for 'unavoidable commitments' already set out in the IRMP – note that these items will be revisited during the challenge process, see below,
- model the likely income for the next four years,
- model the effect of the current capital programme within existing projections of spend,
- re-visit the likely impact of the loss or reduction of Revenue and Capital Grants,
- re-visit projects which have been built into previous MTFP's in preparation for the challenge process, see below.

The above work will be incorporated into our new budget build system and detailed budgets for each area will be distributed to cost centre managers with a higher level report going to Directors and Area Managers.

Growth Bids/Capital Bids

The growth and capital bid templates have been revised so that they are now more in line with guidance from the DCLG. Please let one of the finance team know if you require any assistance in the completion of the new template.

The challenge of growth and capital bids will focus more on;

- How does the project link to corporate priorities?
- What does it contribute?
- What are the outcomes?
- Does it provide value for money?
- Does it support lean processes?

It will be expected that budget holders will discuss the bids with their Area Manager/Director and that bids will be challenged at this stage before the bids are forwarded to the BTB/SMB/Member challenge sessions. The members of BTB will score bids, in order to prioritise which they then put forward for further challenge by SMB/Members.

Savings Bids

The initial exercise for savings will be to critically look at budgets and identify where repeated under spends year-on-year can be offered up. Finance staff will be looking at under spend areas from previous years and where appropriate discussing with each cost centre manager to advise where there may be some budget slack which can be offered up. Budget Holders will need to look at this in terms of what overall plans they have for budget areas, where they are relevant to the latest IRMP and Corporate Plans and what the risks are if they no longer have that budget.

There should also be an amount of critically appraising whether the current level of service is still appropriate i.e. can we get something cheaper, can we use up old stocks etc, the point of the exercise is to deliver the same or better level of service to our customers more efficiently thus giving Value for Money. It also helps us understand the make-up of our budgets better so that we can monitor them more effectively throughout the forthcoming year. We need to ensure we are aware of the risks and knock-on effect any changes made could have on other projects or budgets, whether Capital or Revenue as these could end up resulting in new growth bids. Finance staff are available to help with this.

Note that bid templates for revenue savings or growth of £10k or more and Capital Bids will need to be completed with a full business case. It is assumed that growth under £10k can be absorbed by the budget manager/Area Manager/Director or funded through savings identified elsewhere.

All bid documents will be scrutinised by BTB, SMB and Members during the Challenge Process (see below).

Challenge process

There will be an officer led scrutiny process of the budgets and the savings offered by each Directorate. A panel of Members selected by the Chairman will be asked to consider bids at this time. These meetings will be challenging every aspect of the budget with the expectation that there will be justification for each area of spend by activity in order to achieve the targets set in the IRMP.

Further officer and Member led challenges are likely to continue in the ensuing months and these will be notified to those required to attend.

Information gathering for the MTFP is an iterative process, this is to allow sufficient officer and member engagement and also so that all the other unknown elements can be updated as and when they are published/become known. Due to time limitations and other factors which affect the process, it is necessary to repeat the process until all the necessary information has been gathered and reported through the appropriate channels for setting the final budget and MTFP in February 2015.

The first set of growth and savings bids will need to be signed off by Area Managers/Directors and returned to finance by close of play on **5 September 2014** to allow Finance staff to collate and summarise ready for BTB/SMB challenge.

Members of the finance team will be available throughout the whole process to guide you, research and analyse past data and trends and provide "what if" or any other sensitivity models you require.

Jacqui May	Head of Finance	ext 175
Graham Young	Management Accountant	ext 178
Mark Stevens	Accountant	ext 176
Asif Hussain	Accountant	ext 177
Laura Taylor	Finance Assistant	ext 183