

**Leicester, Leicestershire and Rutland  
Combined Fire Authority**

**Medium Term Financial Strategy –  
Issues and Options**

**Combined Fire Authority**

**24<sup>th</sup> September 2015**

# Outline

Background – where have we come from?

Budget 2015/16.

Current Projections.

Strategic Financial Issues.

# Background

# Where have we come from?

Most substantial government funding cuts ever experienced.

LFRS “spending power” is £34/head – lowest of all CFAs.

Second lowest council tax (£60.43).

Budget cuts of £9m approved since 2011/12.

# **LFRS - Context**

## **Estate**

20 Fire Stations

1 HQ

1 Workshop at County Hall

1 Training centre at Loughborough

1 Occupational Health Unit

## **Vehicles**

39 Standard appliances (30 operational)

12 Special appliances

## **Staff (FTE)**

405 Operational firefighters

28 Control Staff

15 Educational/Fire Protection Staff

94 Support staff

Supported by 231 retained firefighters

# **Budget 2015/16**

# **Budget 15/16 – Key Points**

Continuation of grant reductions.

Savings approved in two stages:-

- £2.7m per annum in February 2015
- Subsequent £3.3m from Operational Change Project

Reduction of 101 operational posts approved.

Funding gap of £2.1m by 2019/20.

# Summary Budget 2015/16

	<u>£m</u>	<u>£m</u>
<b><u>Expenditure</u></b>		
Employee costs		
• Operational	22.3	
• Other	4.5	26.8
	26.8	
Running expenses		7.6
Capital financing		2.7
		37.1
 <b><u>Income</u></b>		
Council tax		18.1
Business rates		3.3
Business rates top up grant		5.0
Revenue Support Grant		8.4
Other grant		1.2
Fees and charges		0.9
		36.9



# Spending Forecasts – Spring 2015

	<u>16/17</u> <u>£m</u>	<u>17/18</u> <u>£m</u>	<u>18/19</u> <u>£m</u>	<u>19/20</u> <u>£m</u>
Spending	35.2	34.8	34.8	35.6
Resources	(35.3)	(34.2)	(33.8)	(33.5)
<b>BUDGET GAP</b>	<b>(0.1)</b>	<b>0.7</b>	<b>0.9</b>	<b>2.1</b>
Add back:-				
Cost of posts disestablished but not vacated	1.0	1.7	1.8	1.3
<b>ACTUAL GAP</b>	<b>0.9</b>	<b>2.4</b>	<b>2.7</b>	<b>3.4</b>

**What has happened**  
**since June?**

# National Funding

Government manifesto:-

- £30bn cuts 16/17 to 17/18
- £12bn from welfare
- £13bn spending cuts
- Budget surplus by 2019/20
- Protection for health and education

# **Budget, July 2015**

Deficit reduction programme will take extra year.

Pace of reductions reduced, especially in 2016/17.

Defence added to protected services.

Public sector wages – 1% increases targeted.

# What do we know now?

OBR public spending estimates to 19/20.

No figures for individual government departments.

Government spending review 25<sup>th</sup> November.

Settlement expected “close to Christmas” – multi-year?

We are able to make assumptions about:-

- Spending on protected services
- Cuts falling on unprotected services

These assumptions are necessarily crude: implications for planning.

# National Resource Projections

	<u>15/16</u>	<u>16/17</u>	<u>17/18</u>	<u>18/19</u>	<u>19/20</u>
	<u>£bn</u>	<u>£bn</u>	<u>£bn</u>	<u>£bn</u>	<u>£bn</u>
National spending (OBR)	327.6	331.9	330.3	330.2	334.7
Less protected services	(250.1)	(256.1)	(261.5)	(267.4)	(274.6)
Unprotected services	77.5	75.8	68.8	62.8	60.1
Cuts to unprotected services		2.2%	9.2%	8.8%	4.3%

NB: Protected services will exceed 80% of total by 2019/20.

# Government Grant Since 2013/14

	<u>13/14</u>	<u>14/15</u>	<u>15/16</u>	<u>16/17</u>	<u>17/18</u>	<u>18/19</u>	<u>19/20</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Revenue Support Grant	11.8	10.2	8.4	7.6	5.4	3.5	2.4
Business rates top-up	4.7	4.8	4.9	4.9	5.0	5.1	5.3
Specific grant	1.3	1.3	1.3	1.3	1.3	1.3	1.4
Total	17.8	16.3	14.6	13.8	11.7	9.9	9.1
RSG cuts		13.9%	17.7%	9.3%	28.5%	36.1%	30.3%

Overall grant cut of 50% p.a.

# Tax History

	<u>Tax</u> <u>£</u>	<u>Tax Increase</u>	<u>Referendum</u> <u>Limit</u>	<u>Properties</u> <u>(Taxbase)</u> <u>(000)</u>	<u>Taxbase</u> <u>Increase</u>
2010/11	53.38			316	
2011/12	53.38	0%		318	0.8%
2012/13	53.38	0%	4%	320	0.7%
2013/14	58.38	9.4%	£5	283	N/A
2014/15	59.25	1.5%	2.0%	289	2.2%
2015/16	60.43	2.0%	2.0%	296	2.1%



# Current Forecasts

# Spending Forecasts

	<u>16/17</u>	<u>17/18</u>	<u>18/19</u>	<u>19/20</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Budget 15/16	34.3	33.3	32.5	32.4
Add inflation:-				
• Pay	0.3	0.5	0.8	1.1
• Other	0.1	0.2	0.3	0.3
• Savings – 2014/15 Outturn	(0.6)	(0.6)	(0.6)	(0.6)
Capital Programme cost	0.2	0.2	0.4	0.6
Planning Provision	0.3	0.6	0.9	1.2
<b>Budgeted spending</b>	<b>34.6</b>	<b>34.2</b>	<b>34.2</b>	<b>35.0</b>
<u>Add Back</u>				
Cost of posts disestablished but not vacated	1.0	1.7	1.8	1.3
<b>Actual forecast spending</b>	<b>35.6</b>	<b>35.9</b>	<b>36.0</b>	<b>36.3</b>

# Spending Forecasts : Assumptions

All agreed savings delivered!

Inflation:

- Pay rises at 1%
- Price inflation on specific costs only
- No provision for increments
- Pensions increases/contracted out NI

Capital Programme:

- As assumed in July

Operational Staffing:

- No compulsory redundancies
- Use of over-staffing reserve
- Staff leave when entitled to full pension

Inclusion of planning provision

NB: Figures assume no VR or secondment

# High Risk Savings already Assumed

£000

## 2015/16 Budget Savings

Merger of control room with Nottinghamshire – on hold	400
Telephony charges – awaiting business case	30
Bringing payroll in-house	40
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	470

## New OCP Savings

Introduction of Pooled crews – “grey book” negotiation required	854
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<b>Total High Risk Savings</b>	<b>1,324</b>
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# Spending Forecasts – Capital Programme

	<u>16/17</u>	<u>17/18</u>	<u>18/19</u>	<u>19/20</u>
Appliances		0.9	0.9	0.9
Property	0.7	0.7	0.7	0.7
Other	0.1	0.1	0.1	0.1
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	0.8	1.7	1.7	1.7
	<hr/>	<hr/>	<hr/>	<hr/>

Above all funded by borrowing/leasing.

# Managing Overstaffing : Proposals

A work in progress:-

- Secondments to other authorities
- Career Breaks
- Job shares
- “Early” retirement with enhanced commutation

These measures will narrow gap between budgeted and actual deficit.

# Redundancy

Clarification received that a firefighter who is made redundant can access their pension immediately (with relevant service).

Implications:-

- A cheaper alternative to early retirement
- Redundancy less unpalatable to those who can draw pension

Subject to legal advice, could consider redundancy for those aged 50 with 25 years' contributions.

# One-off Costs

## Redundancy

Firefighter	£8,000	to	£22,000
Watch Manager	£20,000	to	£28,000
Group Manager	£36,000	to	£44,000

## Early Retirement

One-off cost	£50,000	to	£90,000
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NB: Redundancy costs include 50% discretionary enhancement.



# Workforce Planning

	<u>16/17</u>	<u>17/18</u>	<u>18/19</u>	<u>19/20</u>	<u>20/21</u>	<u>21/22</u>
<b><u>Operational Headcount</u></b>						
Number on 1 <sup>st</sup> April	395	382	369	354	342	328
Less leavers	(13)	(13)	(15)	(12)	(14)	(14)
<b>Number on 31<sup>st</sup> March</b>	<b>382</b>	<b>369</b>	<b>354</b>	<b>342</b>	<b>328</b>	<b>314</b>
<b><u>Establishment</u></b>						
Number on 1 <sup>st</sup> April	394	352	332			
Budget reductions	(42)	(20)	(19)			
<b>Number on 31<sup>st</sup> March</b>	<b>352</b>	<b>332</b>	<b>313</b>			
<b>Over-establishment at year end</b>	<b>30</b>	<b>37</b>	<b>41</b>	<b>29</b>	<b>15</b>	<b>1</b>

# **Workforce Planning - Assumptions**

All operational staff leave in year they acquire full pension rights.

No other departures: voluntary departures and secondments will change figures.

Analysis not dependent on rank of retirees (internal promotion).

NB: Eventual need to recruit.

# Resource Forecasts

	<u>16/17</u> <u>£m</u>	<u>17/18</u> <u>£m</u>	<u>18/19</u> <u>£m</u>	<u>19/20</u> <u>£m</u>
<b><u>Local Resources</u></b>				
Council Tax	18.4	19.0	19.5	20.1
Business Rates	3.4	3.4	3.5	3.6
Fees and Charges	0.9	0.9	0.9	0.9
	22.7	23.3	24.0	24.7
<b><u>Grant</u></b>	13.8	11.7	9.9	9.1
<b>Total Income</b>	<b>36.4</b>	<b>35.0</b>	<b>33.9</b>	<b>33.8</b>
Grant	37.8%	33.5%	29.3%	27.0%

# **Resource Forecasts**

## **Assumptions**

### **Council Tax**

2.0% tax increases each year (assumed referendum limit)

1.0% increase in underlying properties (conservative)

### **Business Rates**

Growth in line with national projections

### **Revenue Support Grant**

Based on assumed cuts in national spending

- 9.3% in 16/17
- 28.5% in 17/18
- 36.1% in 18/19
- 30.3% in 19/20

These assumptions are best current estimates

# Spending and Resources

## Overall Summary

	<u>16/17</u>	<u>17/18</u>	<u>18/19</u>	<u>19/20</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Budgeted Spending	34.6	34.2	34.2	35.0
Resources	(36.4)	(35.0)	(33.9)	(33.8)
<b>Budgeted Gap/(Surplus)</b>	<b>(1.9)</b>	<b>(0.8)</b>	<b>0.3</b>	<b>1.3</b>
<b>Actual Gap/(Surplus)</b>	<b>(0.9)</b>	<b>0.9</b>	<b>2.1</b>	<b>2.5</b>

NB: These assumptions are volatile and accumulate all forecasting error throughout these slides.

# Overstaffing Reserve

	<u>16/17</u>	<u>17/18</u>	<u>18/19</u>	<u>19/20</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Balance on 1 <sup>st</sup> April	2.8	3.6	2.8	1.0
Potential addition	1.9	0.8		
Used	(1.0)	(1.7)	(1.8)	(1.0)
Balance on 31 <sup>st</sup> March	3.6	2.8	1.0	0

*Shortfall*

*0.3*

NB: Assumes no departures other than retirees.

# All Reserves

March'15  
£m

Earmarked reserves:-

- Overstaffing reserve 2.8
- Provision for redundancy 1.1
- Insurance 0.4
- Other 0.7

**TOTAL EARMARKED RESERVES**

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**5.0**

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**GENERAL RESERVES**

**1.8**

Potential to add £0.5m to provision for redundancy.

# Provision for Redundancy

£1m will cover:-

- Around 45 redundancies (firefighters with full service)
- Around 14 enhanced retirements

Monies for overstaffing and redundancy are two sides of same coin.



# Conclusions

Smaller gap in 19/20 than previously forecast (£1.3m per annum).

Forecast is volatile, and will change.

Maintaining full establishment will exhaust reserves by 2019/20.

Overall position is highly geared.

Some big approved savings are high risk.

Encouraging departures will reduce drain on reserves.

Redundancy more cost effective than commutation.

# Sensitivity

High level of gearing – lots of assumptions but budget is close to balance.

Impacts of:-

- 1% less council tax each year - £0.8m by 19/20
- RSG cuts 5% greater each year - £0.6m by 19/20
- Cessation of fire control merger and operational pooling proposals - £1.3m p.a. in 19/20

# **Strategic Issues**

# Strategic Issues: Assets

Estate and vehicles in good condition: substantial investment since 2007.

Right number of stations in right places? (Future of Central Station)

“Spend to Save” fire station investments? (2 for 1?).

Affordability of capital spending: capital programme adds £0.6m per year to budget by 2019/20.

Vehicle Planning:-

- Right numbers?
- Useful lives
- Appliances or tactical response vehicles
- Pooling of special appliances

# Strategic Issues : Staffing

Redundancy vs. Establishment Management.

Compulsory vs. Voluntary.

Need for new recruits in due course.

Balance needed between departures/future needs.

# Strategic Issues : Other

Delivery of agreed cuts.

Future of tri-county working.

Support Staff and Management Review.

Need for one-off money to manage change.

Detailed spending reviews?

- Zero based budgeting/cost centre management
- Preventative services (“Braunstone Blues”)
- Any specific areas?

# Proposed Timetable

- November - Financial strategy and draft budget to chairs (and CFA?)
- 25<sup>th</sup> November - Government publishes Spending Review
- Late December? - Financial Settlement
- February - CFA approves budget