

# LEICESTERSHIRE

## FIRE and RESCUE SERVICE

Status of Report: Public Agenda Item: 9

Meeting: Combined Fire Authority  
Date: 9<sup>th</sup> July 2015  
Subject: Draft Medium Term Financial Plan 2015/20  
Report by: The Treasurer  
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For: Decision

### 1. Purpose

The purpose of this report is to update members on the current financial position of the Combined Fire Authority (CFA). This follows the CFA's decisions on the Integrated Risk Management Plan (IRMP) at its meetings in February and April 2015. The draft Medium Term Financial Plan 2015/20 (MTFP) also reflects the proposed 2014/15 final revenue outturn; the temporary management appointments agreed at the CFA meeting in June 2015; and the outcomes of the Organisational Change Project (OCP) that arose from cost pressures identified in the MTFP 2014-17.

### 2. Executive Summary

- 2.1 The journey undertaken by the Organisational Change Project (OCP) is detailed in this report. The OCP was established to identify and propose a number of funding reduction options for approval by the CFA. This followed savings requirements shown in the MTFP 2014-17. The Policy Committee of the 7<sup>th</sup> May 2014 agreed the commencement of the OCP.
- 2.2 A detailed list of growth and savings, that includes the full suite of OCP proposals which were agreed at the CFA meetings of February, April and June 2015, is shown in **Appendix 1**.
- 2.3 The MTFP 2015-20 (**Appendix 2**) indicates that there is a £2.1m shortfall in permanent income and expenditure by 2019/20. This is after all savings from the IRMP / OCP agreed to date and does not take into account any over-establishment costs and use of reserves. The MTFP shows that a balanced budget cannot be achieved in 2017/18 without further action. All of the Earmarked Over-Establishment Reserve will be utilised by 2018/19. If all over-establishment costs are to be met, the shortfall increases to £3.43m by 2019/20 and will continue into future years.

- 2.4 The MTFP is based upon income and expenditure assumptions that are detailed in this report. The Local Government Finance Settlement received in February 2015 provided financial information for 2015/16 only. The Chancellor is holding an emergency budget on the 8<sup>th</sup> July 2015 and any known impact to the MTFP will be reported verbally at the CFA meeting. Future years funding settlements are due in the Autumn and are anticipated in December 2015.
- 2.5 A draft Capital Programme for 2015-20 is shown in **Appendix 3**.

### **3. Report Detail**

#### **Background – Organisational Change Project (OCP) - The Journey**

- 3.1 The CFA has worked hard over the past 5 years to manage austerity measures whilst protecting front line services. From 2010 to 2014 the CFA have maintained a prudent approach which has included a number of cost saving strategies and changes in delivery models. This has resulted in a reduction of the operational establishment, without affecting the operational response of 30 fire engines on 20 fire and rescue stations.
- 3.2 The MTFP 2014-17 (CFA - 12<sup>th</sup> February 2014) identified cost pressures in the 2014/15 financial year and significant pressures for the following two financial years.
- 3.3 The MTFP was updated (Policy Committee - 5<sup>th</sup> March 2014) to reflect the CFA's decision to limit the Council Tax increase to 1.5%. At that time the predicted shortfall to 2016/17 was £3.9m.
- 3.4 In response to these challenges, the Senior Management Team (SMT) considered how the CFA could meet the projected shortfall and deliver a balanced budget. SMT had begun to initiate the OCP and to develop and bring forward a range of proposals for the CFA's approval over the forthcoming months to deal with the shortfall.
- 3.5 This range of proposals included a review of the IRMP and the provision of support staff across the Service.

#### **The Organisational Change Project**

- 3.6 The formal commencement of the OCP was agreed by the Policy Committee on the 7<sup>th</sup> May 2014. From this, a range of options was to be presented to the CFA in June 2014.
- 3.7 The predicted reduction in spending power for the CFA amounted to approximately £7.5m over the 5 year period to 2020. This followed further financial planning which indicated that future Government spending plans were to continue falling at the same rate as those years covered by the Spending Review 2010 and Spending Round 2013.
- 3.8 On the 25<sup>th</sup> June 2014 the CFA approved the recommendations contained within the OCP Report. This showed that efficiencies to date had facilitated a balanced budget

within the initial period of austerity measures. It was also recognised that the scale of the predicted deficit would require significant changes to be made to the organisation. The required savings would not be achievable without reductions in workforce levels.

- 3.9 At the same meeting the IRMP options, based upon the risk profile for the CFA, were approved to be fully developed and analysed. The outputs would inform final recommendations to be presented to the CFA in September 2014. Subject to the outcomes of the public consultation implementation was to be phased over the 5 year period 2015/16 to 2019/20 and include reductions “above normal retirements and leavers.” The report stated that establishment reduction measures would be required and options to reduce the deficit and balance the budget were requested to be considered for further progression. In addition, the organisation wide review of support staff was agreed to be progressed. The CFA also requested that the Public Consultation Document include a question on increasing Council Tax by £5 and £10. A referendum would have to be held if this option were to be pursued.
- 3.10 On the 3<sup>rd</sup> September 2014, the Overview and Scrutiny Committee were updated on the progress of the extensive work undertaken in underpinning the IRMP proposals. This included a draft public consultation document with supporting models and profiles and a consultation strategy and plan that detailed the delivery of the public consultation between October and December 2014.
- 3.11 On the 25<sup>th</sup> September 2014 the CFA approved the IRMP Public Consultation Document and the Public Consultation Plan. Subject to the consultation, all of the proposals would achieve a balanced budget up to 2017/18, with an overall deficit for the 5 year period reducing from £7.5m to just under £2m. It also highlighted that significant staffing reductions would have to be made.

**Integrated Risk Management Plan Consultation**

- 3.12 On the 11<sup>th</sup> February 2015 the CFA were presented with reports detailing the outcomes of the IRMP public consultation. During the meeting, the Chief Fire and Rescue Officer (CFO) suggested that consideration be given to the development of an alternative crewing arrangement. This was to be undertaken in consultation with the Fire Brigades Union (FBU). The CFA considered the consultation responses with the outcomes summarised in Table 1 below:

<b>Table 1 – Summary of CFA Decisions on the IRMP Public Consultation</b>		
Supported	Not Supported	Deferred to April 2015
<ul style="list-style-type: none"> <li>Change the existing duty system to Day Crewing Plus at Wigston.</li> </ul>	<ul style="list-style-type: none"> <li>Remove one fire engine from Loughborough.</li> </ul>	<ul style="list-style-type: none"> <li>Remove one fire engine from Oakham.</li> </ul>
<ul style="list-style-type: none"> <li>Remove one fire engine from the city area.</li> </ul>	<ul style="list-style-type: none"> <li>Increase in Council Tax to a level requiring a referendum.</li> </ul>	<ul style="list-style-type: none"> <li>Make 4 the standard crewing level across the Service.</li> </ul>
<ul style="list-style-type: none"> <li>Discontinue the Resilience Team.</li> </ul>		<ul style="list-style-type: none"> <li>Alternative crewing arrangement.</li> </ul>

- 3.13 An additional recommendation from the Chair was also supported in that the CFO was to implement the removal of the city fire engine taking all reasonable steps to avoid compulsory redundancies in the wholetime establishment. If that proved not to be possible, the CFO should seek the permission of the CFA to make any such compulsory redundancies.
- 3.14 On the 8<sup>th</sup> April 2015, at the CFA's Extraordinary Meeting, the CFA were informed of a conditional offer from Rutland County Council (RCC) of £150,000. The CFA subsequently approved the 3 proposals that had been deferred from the February meeting:
- i) Remove one fire engine from Oakham Station, this was subject to ensuring the remaining fire engine would still be crewed with 5 as standard;
  - ii) Make 4 the standard crewing level across the organisation with the exception of Oakham and Southern Stations; and,
  - iii) Commence collective consultation and development of associated management arrangements to facilitate the implementation of an alternative crewing arrangement.
- 3.15 In addition to the Oakham recommendation, the CFA also agreed that further work should be undertaken by the CFO to investigate the possibility of using the £150,000 from RCC to trial the implementation of a rapid response vehicle in Rutland.
- 3.16 The impact of all of the agreed proposals upon the establishment of the CFA over the period of the MTFP is a net reduction of 102 wholetime operational full time equivalent (FTE) posts, 12 FTE On Call operational posts and 20.7 FTE support staff roles. The agreed proposals indicate that there is a scale-able reduction between the numbers of operational staff and support staff with a ratio of 82% operational and 18% support being maintained. An operational over-establishment plan is being developed to reduce workforce levels to reflect the revised establishment.

### **Updated Medium Term Financial Plan 2015-20**

- 3.17 The CFA at its meeting on the 11<sup>th</sup> February 2015 agreed a final budget requirement of £37,123,957. It agreed a Council Tax for 2015/16 and authorised the Treasurer to raise the precept by 1.99%. The income for Business Rates was agreed by the CFA at its February 2015 meeting based upon the 2014/15 Local Government Finance Settlement. The income budget was increased due to receipt of detailed Business Rate income forecasts from the Billing Authorities and a revised Council Tax Collection Fund Surplus, which became available post the CFA meeting. The Policy Committee on the 4<sup>th</sup> March 2015 agreed that of the additional income generated (£227,412), £114,000 was transferred to an Earmarked reserve for costs relating to the Fire Control Project collaboration and that the balance of £113,412 was transferred to the Unallocated General Reserve.
- 3.18 Savings
- The CFA meetings of February, April and June 2015 agreed a detailed list of growth

and savings that included the full suite of OCP proposals and these are shown in **Appendix 1**. For 2015/16 efficiency savings of £1,982,405 have been agreed and are detailed below:

- The final establishment changes arising from the establishment of Day Crewing Plus at Castle Donington Station - £139,690
- The removal of running costs of Moira Station - £13,080
- The reduced re-negotiated contract cost of waste disposal - £15,890
- The disestablishment of the Group Manager Fire Control post - £69,050
- Reductions to the average employers' pension contribution to Operational staff pension schemes - £20,000
- The disestablishment of 5 Flexi Duty Officers - £337,630 – and associated reductions in car leasing costs - £16,850
- The disestablishment of 3 Watch Manager posts - £138,201
- A one third reduction in the operational overtime budget - £125,120
- The outcomes of the Support Staff Review (including conversion of some uniformed posts to support staff roles) - £620,634
- The reduction to the Chief Fire and Rescue Officer's pay - £13,190
- The disestablishment of the Resilience Team - £473,070

Temporary savings of £70,000 have been made by not incurring Fire Service College training costs as there will be no recruitment of new firefighters. A further reduction of £87,750 is made from the Personal Protective Equipment (PPE) Budget. This follows a decision to purchase rather than lease breathable fire tunics. The saving is offset by temporary growth as the funds will be used as a Revenue Contribution to Capital Outlay (RCCO) to fund the 2015/16 Capital Programme.

3.19 Planned efficiency savings across 2016/17 (£2,161,715), 2017/18 (£1,014,785) and 2018/19 (£853,582) mainly reflect outcomes from the OCP and include:

- The permanent disestablishment of a Group Manager post from April 2016 and associated car leasing costs - £78,712 (this will also generate one off savings of £57,271 in 2015/16)
- The final reductions from the Support Staff Review - £53,180
- The disestablishment of a Director Post (October 2016) - £100,000
- The removal of one fire engine from the City area (April 2017) - £783,717
- Changing the existing duty system to Day Crewing Plus at Wigston Station (October 2016) - £358,215
- The removal of one fire engine from Oakham Station (April 2016) - £97,150
- Making 4 the standard crewing level across the organisation (April 2016) - £733,128
- The introduction of an alternative crewing arrangement (pooling) (April 2018)

- £853,582

All operational pay savings are based upon July 2014 pay scales and include enhanced rates for the Day Crewing Plus duty system where applicable.

Other potential savings identified over the period 2016/17 to 2017/18 are:

- The creation of a single fire control room for Nottinghamshire and Leicestershire Fire Authorities - £400,000
- Leasing costs for the PPE Fire Breathable Tunics that was included in prior year's growth of £108,000 is no longer required, as the assets are to be purchased direct through the Capital Programme - £82,130
- A reduction in telephony call charges through the extension of the internal phone system - £30,000
- Reduction in the Operational Establishment for the Switch Crewing arrangements of the Aerial Ladder Platform (ALP) at Central Station - £460,268

### 3.20 Growth Requests:

For 2015/16 permanent growth of £431,422 was agreed with a further £96,990 required in 2016/17. Growth items are detailed below:

- **Local Government Pension Scheme (LGPS) Employer Contributions:** An actuarial review in 2013 determined that in order to meet anticipated deficits on the pension fund, a 1% increase (£40,540 in 2015/16) in the employer's contributions to the LGPS was required each year to 2016/17.
- **Technical Rescue Additional Responsibility Allowance:** The CFA at its meeting on the 10<sup>th</sup> December 2014 agreed to the payment of an 8.9% additional responsibility allowance (£95,000 including on costs) for staff appointed to a combined firefighting / specialist rescue function.
- **Shared Area Manager Control:** The gross cost of the new Shared Area Manager Control post (with Nottinghamshire and Derbyshire Fire Authorities) is estimated at £63,000. This is offset by increased income of £42,000 to reflect the Authorities shared contributions and efficiency savings of £69,050 for the disestablishment of a Group Manager Control post.
- **Hydrant Maintenance:** Notification has been received that prices for ongoing hydrant maintenance work are to increase by an average 23.5%. If the same level of work were to continue, growth of £17,980 is required.
- **Support Staff Review:** Additional responsibilities and new posts costs following the Support Staff Review total £214,902.
- **National Insurance Single Contribution Rate:** The Government has announced the removal of the National Insurance Contracted Out Status from 2016/17. This is anticipated to cost the CFA £56,480 per annum
- **Temporary Growth Requests:** Five temporary growth items totaling £797,400 were agreed as one off expenditure in 2015/16:
  - Contribution to the National Operational Guidance Programme

(£20,000)

- Contribution to the national collaborative PPE procurement project (£10,000)
- Estimated operational over establishment in 2015/16 (£673,400)\*
- RCCO to the 2015/16 Capital Programme for fire breathable tunics (£87,750) (as a virement; offset by temporary savings to the PPE budget)
- Council Tax temporary administrative support (£6,250)

\*The ongoing operational over establishment costs shown in **Appendix 1** are based on July 2014 operational pay rates and workforce planning assumptions following a full review of anticipated leavers/retirees and with the assumption that all vacant posts will be filled by an internal candidate.

3.21 The temporary growth of £797,400 will be met from:

- temporary savings (£157,750) (as shown in **Appendix 1**)
- Council Tax Collection Fund surplus (£273,939),
- additional Business Rates income (£133,498),
- additional Department for Communities and Local Government (DCLG) Section 31 grant (£89,881) and
- Unallocated General Reserve (£142,332).

### **Medium Term Financial Plan 2015/20**

3.22 Income and Expenditure

The MTFP 2015-20 (**Appendix 2 (at line 1)**) indicates that there is a £2.1m shortfall in permanent income and expenditure by 2019/20. This is after all savings from the IRMP / OCP agreed to date and does not take into account any over-establishment costs and use of reserves. The MTFP shows that a balanced budget cannot be achieved in 2017/18 without further action. If all over-establishment costs are to be met the shortfall increases to £3.43m by 2019/20.

3.23 A number of assumptions are made in projecting both income and expenditure as detailed below:

3.24 Council Tax Income - An anticipated increase of 1.99% is applied for each year from 2016/17 to 2019/20. This is in line with the current maximum allowed by DCLG within the referendum limit. In agreeing the 2015/16 budget, the CFA increased Council Tax by 1.99% setting the rate for a Band D Property at £60.43. It has been assumed that the Council Tax Base will continue growing in the medium term. For the MTFP the growth assumed of 0.5% has been based on the growth in 2011/12 reported by the Districts and Unitaries prior to the introduction of localised Council Tax Support. The Treasurer and the Head of Finance are working closely with Billing Authorities to look at utilising and replicating the Council Tax forecasts contained within their individual MTFP forecasts in order to provide the best possible

estimate for the CFA.

- 3.25 Business Rates / Revenue Support Grant Income – The MTFP 2015/20 indicates that in 2016/17 permanent funding from DCLG in respect of Revenue Support Grant, Redistributed Business Rates, Business Rates Top Up and Section 31 grant for Business Rates Adjustment will reduce to £14,917,990 from £16,681,464 in 2015/16 (a reduction of 10.6%). The MTFP forecasts that the level of DCLG funding will reduce to £11,597,210 by 2019/20.
- 3.26 Pixel Financial Management act as external advisers to the Treasurer (and the District Councils) in providing information and analysis on the Funding Settlement. They have developed a future forecasting funding model for the CFA and the information contained in this model is represented in the MTFP. This highlights the likely future funding from DCLG. This downward trend is predicted to continue throughout the MTFP. It is noted that the Chancellor has announced that an emergency budget is to be held on the 8<sup>th</sup> July 2015 in order to set out how further cuts to government budgets will be achieved. Any relevant change to the CFA's funding position will be verbally updated at the CFA meeting.
- 3.27 CFA Income / Fire Revenue Grant Income - The Fire Revenue Grant (New Dimensions) assumes a 1% increase in grant for each year (to reflect anticipated pay rises), whilst the FireLink revenue grant assumes an increase in line with the Consumer Price Index (CPI) (1.3% as of October 2014). This is in line with DCLG funding assumptions. The CFA income is also assumed to increase in line with CPI. DCLG have advised that the FireLink revenue grant will continue until at least 2018/19.
- 3.28 Expenditure - An allowance has been included for forecasted increases to pay of 1% in 2015/16 and then 2% in each subsequent year. The only non-pay allowances for inflation in the MTFP is for anticipated increases in business rates (in line with the Retail Price Index (RPI), 2.3%), and heating and lighting (at CPI 1.3%). No inflation is added for fuel costs and travel and subsistence rates. Provision is made within the Volume Standstill budget for increments for support staff in April each year in line with their national terms and conditions.
- 3.29 Capital Programme - The MTFP reflects the ongoing revenue impact of the Capital Programme. A draft Capital Programme for the period 2015-20 is attached at **Appendix 3**.
- 3.30 Temporary Expenditure Requirements  
**Appendix 2** identifies temporary budget requirements which mostly fall into 2015/16. **Line 2** highlights the ongoing operational over establishment costs based on July 2014 operational pay rates and workforce planning assumptions following a full review of anticipated leavers/retirees and with the assumption that all vacant posts will be filled by an internal candidate. These costs totalling £5,801,294 from 2016/17 to 2019/20 will be partly met through the Earmarked Over-Establishment Reserve. The total temporary budget requirement for each year is shown at **line 3**.
- 3.31 The total CFA expenditure requirement for both permanent and temporary expenditure is shown at **Appendix 2, line 4**. **Line 5** shows the overall deficit for



each year on income over total expenditure before the use of temporary funding and reserves. This shows that with the addition of over-establishment costs to the permanent expenditure the shortfall increases to £3.43m in 2019/20.

### 3.32 Use of Reserves

**Appendix 2** shows that budgets in 2015/16 are currently supported by temporary funds from Redistributed Business Rates Adjustments, a surplus in the Council Tax Collection Fund, the Earmarked Over-Establishment Reserve and the General Reserve. Budgets from 2016/17 to 2018/19 are supported by temporary funds from the Earmarked Over-Establishment Reserve and the General Reserve. The total amount of temporary funding, utilised to support the budget by year, is shown in **Line 6**.

3.33 The CFA with its reduced government settlement and ongoing requirements from existing policies has limited capability of delivering any growth without it impacting upon the Council Tax bills for future years. The Medium Term Financial Strategy states that reserves and balances and one-off savings should only be used to finance one-off expenditure. If such monies are used to fund ongoing revenue expenditure without taking other action to reduce underlying expenditure, the CFA would find itself facing the same deficit in the next and future years but without reserves available to finance it. This is underlined by the District Auditor's 'Golden Rule' - that "one off" revenue reserves should not be used to support 'ongoing' revenue expenditure.

### 3.34 Unallocated General Reserve

The current balance in the Unallocated General Reserve is £1,904,084. An amount of £1,030,712 was allocated to this reserve by the CFA in December 2013. The reserve was reduced by £205,188 to meet the budget expenditure requirement in 2014/15 leaving a remaining balance of £825,524. During 2014/15 further additions and adjustments to the reserve of £1,160,607 were agreed. A further reduction of £82,047 was required to meet the expenditure requirement in 2015/16. It is proposed to transfer the balance of £1,904,084 to an Earmarked Over-Establishment reserve.

### 3.35 Earmarked Over-Establishment Reserve

DCLG on the 29<sup>th</sup> April 2015 informed the CFA of its grant allocation for the impact of tax changes incurred under the business rates retention scheme and represents costs in 2015/16 of the changes announced at the 2012, 2013 and 2014 Autumn Statements. The total grant allocated is £280,621 which is £71,514 higher than budgeted. This is offset by a reduction of £5,040 in the DCLG Fire Revenue Grant announced on the 5<sup>th</sup> May 2015. It is proposed that the net additional grant of £66,474 is transferred to the Earmarked Over-Establishment Reserve.

3.36 Following CFA agreement of the temporary senior management structure at its meeting on the 5<sup>th</sup> June 2015, temporary savings of £57,271 will be achieved in 2015/16 through not filling a vacant Group Manager post. It is proposed that the temporary savings of £57,271 are also transferred to the Earmarked Over-Establishment Reserve.

3.37 In addition the 2014/15 Final Outturn report proposes a transfer of £743,266 to this reserve from the 2014/15 revenue underspend.

3.38 The Earmarked Over-Establishment reserve will then total £2,771,095 which will be available to support the 2016/17 to 2018/19 budgets. The MTFP at **Appendix 2** reflects the impact of all these changes.

3.39 The current level of the Over-Establishment Reserve (£2.77m) will not be sufficient to cover the total costs of the over-establishment (2016/17 to 2019/20 totals £5.8m). The over-establishment costs can be met from 2015/16 into part of 2018/19. All opportunities are being pursued to reduce the costs of over-establishment through secondment opportunities, career breaks and voluntary redundancy. It is intended that sufficient reductions will have been undertaken by the 31<sup>st</sup> March 2018 to negate these costs from 2018/19.

#### 3.40 General Reserve

The MTFP shows a balance in General Reserves of £1,856,198 in 2015/16 (**Appendix 2, Line 8**). The MTFP assumes that the General Reserve will be maintained at 5% of the Permanent Budget Requirement until 2019/20. Further consideration is being given to recent advice from the Chartered Institute of Public Finance and Accountancy (CIPFA) that this could be reduced to 4% in the future. It is intended that on production of appropriate guidance that this reduction is implemented at the earliest opportunity.

#### 3.41 Earmarked Reserves

At present the CFA holds a number of earmarked reserves for other specific purposes. The specific earmarked reserves and their estimated balances as at the 10<sup>th</sup> July 2015 are detailed in the table below:

Earmarked Reserve	Balance £
Occupational Health	39,538
IRMP Redundancy Reserve	1,077,349
Part Time Workers	70,202
Insurance – Employees	106,205
Ill Health Retirement Reserve	152,691
Relocation Reserve	18,577
Consortium Insurance Reserve	200,728
Officers Cars	81,450
Princes Trust	150,710
Motor Insurance	75,000

ESMCP Contingency	150,000
Single Fire Control Room	114,000
Over-Establishment Reserve	2,771,095
<b>TOTAL EARMARKED RESERVES</b>	<b>5,007,545</b>

3.42 A brief description on the use of each of the reserves is given below:

- **Occupational Health:** The Occupational Health and Fitness Unit have operated in the past as a business unit and any surplus made was carried forward for future developments and to offset any large one-off costs. This reserve will support the proposed relocation of the Occupational Health and Fitness Unit and Forge Health Ltd as a Revenue Contribution to Capital Outlay (RCCO) to the 2015/16 Capital Programme.
- **IRMP Redundancy:** It is proposed to the CFA on the 9<sup>th</sup> July 2015 that £662,407 is added to the existing IRMP reserve and earmarked to meet any potential operational redundancy costs. This is based on the redundancy payable to a firefighter aged 50 with 25 years' service using an enhancement factor of 1.5 at actual pay. The reserve also includes costs for working the 90 day notice period and is based upon an over-establishment of 35 at the 1<sup>st</sup> April 2018. The reserve also includes an estimate of £25,000 for the cost of the retained redundancies at Oakham Station.
- **Part Time Workers:** The CFA agreed in December 2010 to put £200,000 in an earmarked reserve pending decisions from the Employment Tribunal relating to the outcome of the Part Time Workers (Prevention of Less Favourable Treatment) Regulations 2000. £70,202 remains to cover the anticipated pension costs arising from this case.
- **Insurance – Employees:** Sufficient provision needs to be made to cover the CFA's self-insurance levels. The amount that will be required to settle claims in any one year varies significantly and therefore, is highly unpredictable. The level of reserve required is also likely to be influenced by the insurance market.
- **Ill Health Retirement Reserve:** This was created as part of the 2007/08 budget and is required to support costs accruing to the CFA following any firefighters' ill health retirements. At present the reserve is still sufficient but may need to be replenished in 2016/17.
- **Relocation Reserve:** This was created as part of the 2007/08 budget and will be used in 2015/16 to support the relocation of any newly appointed staff. At present the reserve is sufficient to meet an estimated two instances of relocation with the intention that this is reduced to one and that funds are vired to the over-establishment reserve.
- **Consortium Insurance Reserve:** This was created by the CFA as part of the 2007/08 Revised Estimate. It protected the CFA in the event of higher than anticipated funding demands by the Fire and Rescue Indemnity

Consortium (FRIC) Company. An additional £100,000 was added by the CFA at its meeting of the 11<sup>th</sup> December 2013 to meet the capitalisation costs of the consortium company for the implementation of insurance pooling. A further additional sum of £25,728 was agreed by the CFA at its meeting of the 25<sup>th</sup> June 2014.

- **Officers Cars:** At the time the last set of Area Managers cars were purchased it was agreed that it was more cost effective for the CFA to fund the purchase itself. All savings made against the leasing budget are allocated to this reserve which, when combined with the sale proceedings from the current vehicles should be sufficient to fund the next purchases in full. It is intended (subject to an appropriate business case) that the officers' cars are purchased through a finance lease during 2015/16 which would enable the release of funds in this reserve.
- **Prince's Trust Reserve:** An original reserve for £144,100 was agreed by the CFA at its meeting of the 24<sup>th</sup> June 2013 to meet the future potential redundancy and notice period costs of the Prince's Trust Team should it lose its income streams. A further £5,200 was added to the reserve by the CFA at its meeting of the 11<sup>th</sup> December 2013. It is proposed to the CFA at its meeting of the 9<sup>th</sup> July 2015 that a further £1,410 be added to this reserve to reflect current estimates of cost.
- **Motor Insurance:** A reserve for £75,000 was agreed by the CFA at its meeting of the 11<sup>th</sup> December 2013 in respect of the uninsured excess elements of motor insurance.
- **Emergency Services Mobile Communications Programme (ESMCP):** A contingency of £150,000 was agreed by the CFA at its meeting of the 25<sup>th</sup> June 2014 to meet anticipated local costs of this national project.
- **Single Fire Control Room:** The Policy Committee on the 4<sup>th</sup> March 2015 agreed to establish this reserve. This represents the CFA's equal share of the potential costs arising from the Fire Control collaboration with Nottinghamshire Fire Authority. This matches the financial contribution already set aside by that Authority.
- **Over-Establishment Reserve:** It is proposed to the CFA at its meeting of the 9<sup>th</sup> July 2015 that the balance on the unallocated general reserve is transferred to an earmarked reserve to meet the costs of over-establishment as identified within the MTFP.

### **Capital Programme 2015/20**

- 3.43 A draft capital programme for 2015/16 to 2019/20 is attached as **Appendix 3**. The draft programme reflects previous CFA decisions on a number of projects. In 2014/15 the programme was funded through a mixture of utilising Earmarked Reserves, RCCO, Capital Receipts, Prudential Borrowing and DCLG Capital Grant. The CFA will continue to use the same funding methodology in 2015/16; with the exception that there will be no DCLG Capital Grant as the CFA was unsuccessful in its 2015/16 bid.

### 3.44 Property

The CFA agreed in December 2014 that the agreed Capital budget for the works at Castle Donington could be split over the 2014/15 and 2015/16 financial years and this split is reflected in the proposed 2015/16 capital programme.

A property refurbishment / improvement capital budget has been established at £1,750,000. Expenditure on this heading will be reported to the CFA following submission and approval of business cases by SMT. This will initially be used to fund the required changes needed to introduce Day Crewing Plus at Wigston Fire Station.

### 3.45 Other Requirements

An annual ICT Technology capital budget of £50,000 for system developments is included to continue building upon the improvements to the ICT infrastructure.

It is anticipated that the next phase of development with regards to the SharePoint Infrastructure Architecture and Taxonomy will require £62,500 for consultancy, software development and increased archiving capability.

It is proposed that the Headquarters Internal Phone telephony system is rolled out across the organisation at an estimated cost of £90,000. This is anticipated to generate £30,000 per annum efficiency savings in reduced telephone call costs.

Work to upgrade the Wide Area Network commenced in the 2014/15 financial year but is not scheduled for completion until June 2015. The total cost of the work is anticipated at £184,000 with £127,498 required in 2015/16.

It is currently planned to upgrade the shared Agresso finance system to the latest version (Milestone 4) in conjunction with regional partners (£70,000). This is in keeping with ICT policy on software versions and to avoid the loss of system developer support. Adaptations can be made now that will potentially enable moves to regional shared services arrangements in the future.

A collaborative regional procurement of a new payroll system (£70,000) is being considered with the intention that ongoing revenue efficiencies can be achieved.

Operational equipment is proposed to include the Ballyclare Mid-Layer tunic (£87,750) to be funded by RCCO from the PPE budget and £51,200 to enhance the Breathing Apparatus sets with Wi-Fi enabled communication systems and Bluetooth radios.

### 3.46 Capital Receipts:

The draft Capital Programme assumes capital receipts of £261,500 from the sale of Moira Fire Station agreed by the CFA in December 2014. However, if the capital receipts are delayed, any balance of the programme still requiring funding will be met from temporary borrowing under the prudential code provided that it is affordable within the approved estimate or if not this could necessitate a re-approval of the programme.

### **Exclusions**

### 3.47 The MTFP does not include:

- The conditional offer from Rutland County Council of £150,000
- Any secondment opportunities with other Fire and Rescue Authorities that reduce the headcount and the over-establishment costs
- Any use of Earmarked Reserves outside of the Occupational Health and Over-Establishment reserves
- Other potential ongoing savings arising from the 2014/15 revenue outturn

#### **4. Report Implications / Impact**

##### **4.1 *Legal (including crime and disorder)***

All legal implications are contained within the main body of the report.

##### **4.2 *Financial (including value for money, benefits and efficiencies)***

These are included in the main body of the report.

##### **4.3 *Risk (including corporate and operational, health and safety and any impact on the continuity of service delivery)***

The CFA had to set a budget for 2015/16 within available resources which ensured that the CFA has sufficient reserves to meet financial risks that might occur. The CFA has to live within its financial resources and there is a serious financial risk if the revenue budget is not managed appropriately. The CFA has to agree the use of any of the Financial Reserves set aside for this purpose in the Annual Budget.

##### **4.4 *Staff, Service Users and Stakeholders (including the Equality Impact Assessment)***

Employee costs account for just under 72.2% of the CFA's 2015/16 agreed budget, with a further 1.8% being spent on indirect employee expenses. The restrictions being enforced as a result of budget planning will impact upon these budgets.

##### **4.5 *Environmental***

None.

##### **4.6 *Impact upon Our Plan Objectives***

The delivery of the Our Plan Objectives is to some extent resource dependent and this report is therefore relevant to the achievement of the Our Plan Outcomes.

#### **5. Recommendations**

The CFA is asked to:

- a) Approve the transfer of £1,904,084 from the Unallocated General Reserve to the earmarked Over-Establishment Reserve outlined in paragraph 3.34
- b) Approve the transfer of £66,474 to the earmarked Over-Establishment

Reserve following notification of additional DCLG Grant in 2015/16 outlined in paragraph 3.35

- c) Approve the transfer of £57,271 to the earmarked Over-Establishment Reserve following the reduction of a Group Manager post agreed at the CFA meeting in June 2015 outlined in paragraph 3.36.
- d) Note the summary and outcomes of the Organisational Change Project.
- e) Note the revised list of Growth and Savings detailed in Appendix 1.
- f) Note the draft Medium Term Financial Plan 2015/16 to 2019/20 detailed in Appendix 2 and the projected permanent funding shortfall of £2.1m by 2019/20.
- g) Note the position on Unallocated, Earmarked and General Reserves outlined in paragraphs 3.32 to 3.42.
- h) Note the draft Capital Programme 2015-20 detailed in Appendix 3.

## **6. Background Papers**

- a) SMT Report - 13<sup>th</sup> January 2014 (Local Government Finance Settlement)
- b) CFA Report - 12<sup>th</sup> February 2014 (Medium Term Financial Plan 2014-17)
- c) Policy Committee Report - 5<sup>th</sup> March 2014 (Medium Term Financial Plan 2014-17)
- d) Policy Committee Report - 7<sup>th</sup> May 2014 (Organisational Change Programme)
- e) CFA Report - 25<sup>th</sup> June 2014 (Organisational Change Project)
- f) Overview & Scrutiny Committee Report - 3<sup>rd</sup> September 2014 (Organisational Change Project (Balancing The Budget) – Progress Update)
- g) CFA Report - 25<sup>th</sup> September 2014 (Organisational Change project (Balancing the Budget) IRMP Consultation)
- h) Policy Committee Report - 14<sup>th</sup> January 2015 (Local Government Finance Settlement)
- i) Overview and Scrutiny Committee Report - 28<sup>th</sup> January 2015 (Local Government Finance Settlement)
- j) CFA Report - 11<sup>th</sup> February 2015 (Organisational Change Project – Integrated Risk Management Plan (IRMP) Consultation Outcomes)
- k) CFA Report - 11<sup>th</sup> February 2015 (Budget 2015/16)
- l) Policy Committee Report - 4<sup>th</sup> March 2015 (Medium Term Financial Plan

2015/20)

- m) Overview and Scrutiny Committee Report - 18<sup>th</sup> March 2015 (Medium Term Financial Plan 2015/20)
- n) CFA Report - 8<sup>th</sup> April 2015 (Organisational Change project – Integrated Risk Management Plan (IRMP) Consultation outcomes – Deferred Proposals)
- o) CFA Report - 8<sup>th</sup> April 2015 – Medium Term Financial Plan 2015/20
- p) CFA Report - 5<sup>th</sup> June 2015 – Appointment of a Temporary Deputy Chief Fire and Rescue Officer
- q) CFA Report - 9<sup>th</sup> July 2015 – Final Outturn 2014/15

## **7. Appendices**

1. Growth and Savings 2015-20
2. Draft Medium Term Financial Plan 2015-20
3. Draft Capital Programme 2015-20



**CFA Growth and Savings 2015/20**

	Full Year Effect on:					Establishment Changes
	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £	
<b>Efficiencies</b>						
Day Crewing Plus Phase 1	-139,690	0	0	0	0	0.00
Moira Station devolved budget and remaining estates costs	-13,080	0	0	0	0	0.00
Reduction in the number and cost of Waste Disposal Contracts	-15,890	0	0	0	0	0.00
Disestablishment of Group Manager Control	-69,050	0	0	0	0	-1.00
Reduction in Employer's Pension Contributions	-20,000	0	0	0	0	0.00
Disestablishment of Flexi Duty Officers	-337,630	-76,362	0	0	0	-6.00
Reduction in Flexi Duty Officers Car Leasing Costs	-16,850	-390	-1,960	0	0	0.00
Disestablishment of 3 Watch Managers posts	-138,201	0	0	0	0	-3.00
Reduction in Operational Overtime	-125,120	0	0	0	0	0.00
Organisational Change Project (OCP) - Support Staff Review	-620,634	-53,180	0	0	0	-18.40
Reduction in the Chief Fire and Rescue Officer's Salary	-13,190	0	0	0	0	0.00
Personal Protective Equipment (PPE) Breathable Fire Tunic	0	-82,130	0	0	0	0.00
Creation of a single Control room for Nottinghamshire and Leicestershire	0	-400,000	0	0	0	0.00
Reduction in Telephony Call Charges	0	-30,000	0	0	0	0.00
Disestablishment of Director Post	0	-50,000	-50,000	0	0	-1.00
Reduction in Operational Establishment	0	-460,268	0	0	0	-12.00
IRMP Removal of Appliance in City	0	0	-783,717	0	0	-20.00
IRMP Disestablishment of Resilience Team	-473,070	0	0	0	0	-12.00
Integrated Risk Management Plan (IRMP) Wigston Day Crewing Plus	0	-179,107	-179,108	0	0	-12.00
IRMP Removal of Appliance in Oakham	0	-97,150	0	0	0	-12.00
IRMP Standard Crewing Level from 5 to 4	0	-733,128	0	0	0	-17.00
IRMP Introduction of Operational Pooling Arrangements	0	0	0	-853,582	0	-19.00
	-1,982,405	-2,161,715	-1,014,785	-853,582	0	-133.40
<b>Temporary Other Service Efficiencies</b>						
Fire Training School at the Fire Service College	-70,000	0	0	0	0	0.00
PPE Breathable Fire Tunic	-87,750	0	0	0	0	0.00
	-157,750	0	0	0	0	0.00
<b>Total Savings</b>	-2,140,155	-2,161,715	-1,014,785	-853,582	0	-133.40
<b>Permanent Other Service Pressures/ Improvements</b>						
Local Government Pension Scheme Employer Contributions	40,540	40,510	0	0	0	0.00
Southern Station / Technical Rescue Responsibility Allowance	95,000	0	0	0	0	0.00
Shared Area Manager Control Post	63,000	0	0	0	0	1.00
Hydrant Maintenance	17,980	0	0	0	0	0.00
OCP -Support Staff Review	214,902	0	0	0	0	7.00
National Insurance Single Contribution Rate	0	56,480	0	0	0	0.00
	431,422	96,990	0	0	0	8.00
<b>Temporary Other Service Pressures / Improvements</b>						
National Operational Guidance Programme	20,000	0	0	0	0	0.00
Collaborative PPE Procurement Project	10,000	0	0	0	0	0.00
Operational Over Establishment (no redundancies)	673,400	1,038,799	1,687,649	1,789,931	1,284,915	0.00
PPE Breathable Fire Tunic	87,750	0	0	0	0	0.00
Council Tax District Administration Support	6,250	0	0	0	0	0.00
	797,400	1,038,799	1,687,649	1,789,931	1,284,915	0.00
<b>Total Growth</b>	1,228,822	1,135,789	1,687,649	1,789,931	1,284,915	8.00
<b>Net Growth / (Savings)</b>	-911,333	-1,025,926	672,864	936,349	1,284,915	-125.40

CFA Medium Term Financial Plan 2015/16 to 2019/20

	ACTUAL 2015/16 £	FORECAST 2016/17 £	FORECAST 2017/18 £	FORECAST 2018/19 £	FORECAST 2019/20 £
<b>CFA Funding Streams:</b>					
Council Tax (Based on a 1.99% increase)	17,866,516	18,313,177	18,770,994	19,240,254	19,721,247
Revenue Support Grant	8,386,749	6,416,000	4,576,000	3,545,000	2,440,000
Redistributed Business Rates (Department for Communities and Local Government (DCLG) Estimate)	3,271,609	3,354,000	3,437,000	3,523,000	3,611,000
DCLG Business Rates Top Up	4,903,880	5,026,000	5,152,000	5,281,000	5,413,000
DCLG Section 31 Grant re Business Rate Adjustment	119,226	121,990	125,730	129,470	133,210
Combined Fire Authority Income	884,570	896,069	907,718	919,518	931,472
Fire Revenue Grant (New Dimensions)	896,899	905,868	914,927	924,076	933,317
Fire Revenue Grant (Firelink)	267,857	271,339	274,866	278,439	286,792
<b>Permanent Revenue Spending Power</b>	<b>36,597,306</b>	<b>35,304,443</b>	<b>34,159,235</b>	<b>33,840,757</b>	<b>33,470,038</b>
<b>CFA Expenditure Requirement</b>					
Initial Gross Budget (Brought Forward)	38,349,670	36,484,307	35,214,325	34,824,527	34,762,512
Less Temporary Growth from prior years	-41,750	0	0	0	0
Add Temporary Savings	159,950	0	0	0	0
Inflation Assumptions	29,370	29,940	30,000	30,000	30,000
Pay Inflation at 1% 2015/16 and 2% Ongoing	276,680	553,360	564,427	575,716	587,230
Support Staff (April) Increments	10,150	10,353	10,560	10,771	10,987
Ongoing Effects of 2014/15 Revised Estimate	-937,150	0	0	0	0
Identified Permanent Efficiency Savings (Detailed in <b>Appendix 1</b> )	-1,982,405	-2,161,715	-1,014,785	-853,582	0
Permanent Growth (Detailed in <b>Appendix 1</b> )	431,422	96,990	0	0	0
Revenue Costs of 2014/15 to 2018/19 Capital Programme (See <b>Appendix 3</b> )	55,630	201,090	20,000	175,080	180,700
Introduction of Day Crewing Plus - Revenue costs of 2014/15 and 2015/16 Capital	132,740	0	0	0	0
<b>Permanent Expenditure Requirement</b>	<b>36,484,307</b>	<b>35,214,325</b>	<b>34,824,527</b>	<b>34,762,512</b>	<b>35,571,429</b>
<b>1 Surplus / (Deficit) of Income over Expenditure on Permanent Budget</b>	<b>112,999</b>	<b>90,118</b>	<b>-665,292</b>	<b>-921,755</b>	<b>-2,101,391</b>
<b>Temporary Expenditure Requirements:</b>					
Temporary Savings (Detailed in <b>Appendix 1</b> )	-157,750	0	0	0	0
Contribution to Earmarked Reserve (Control)	114,000	0	0	0	0
Addition to General Reserve	0	0	0	0	40,445
Temporary Growth (Detailed in <b>Appendix 1</b> )(Not Over-Establishment)	124,000	0	0	0	0
<b>2 Temporary Growth (Detailed in <b>Appendix 1</b>)(Over-Establishment)</b>	<b>673,400</b>	<b>1,038,799</b>	<b>1,687,649</b>	<b>1,789,931</b>	<b>1,284,915</b>
<b>3 Temporary Budget Requirement</b>	<b>753,650</b>	<b>1,038,799</b>	<b>1,687,649</b>	<b>1,789,931</b>	<b>1,325,360</b>
<b>4 Total CFA Expenditure Requirement (Permanent + Temporary)</b>	<b>37,237,957</b>	<b>36,253,124</b>	<b>36,512,176</b>	<b>36,552,443</b>	<b>36,896,789</b>
<b>5 Surplus / (Deficit) of Expenditure requirement over Revenue Spending Power before Reserves</b>	<b>-640,651</b>	<b>-948,681</b>	<b>-2,352,941</b>	<b>-2,711,686</b>	<b>-3,426,751</b>
<b>Funded By:</b>					
Redistributed Business Rates (Billing Authorities Estimate)	133,498	0	0	0	0
DCLG Section 31 Grant re Business Rate Adjustments (Billing Authorities Estimate)	89,881	0	0	0	0
Council Tax Collection surplus	273,939	0	0	0	0
Use of Earmarked Over-Establishment Reserve	82,047	853,199	1,687,649	230,247	0
Reduction in general reserve	61,286	95,482	19,490	3,100	0
<b>6 Total Funded by</b>	<b>640,651</b>	<b>948,681</b>	<b>1,707,139</b>	<b>233,347</b>	<b>0</b>
<b>7 OVERALL BUDGET SURPLUS / (DEFICIT)</b>	<b>0</b>	<b>0</b>	<b>-645,802</b>	<b>-2,478,339</b>	<b>-3,426,751</b>
<b>8 General Reserve @ 1 April (From 2016/17 5% * Permanent Budget Expenditure)</b>	<b>1,856,198</b>	<b>1,760,716</b>	<b>1,741,226</b>	<b>1,738,126</b>	<b>1,778,571</b>
Council Tax Base (Based on a 0.5% increase per annum)	295,651.02	297,129.28	298,614.93	300,108.00	301,608.54
Band D Council Tax (Based on a 1.99% increase)	60,4311	61,6337	62,8602	64,1111	65,3869

**CFA Draft Capital Programme 2015 - 2019**

	REVISED					
	2014 - 15 £	2015 - 16 £	2016 - 17 £	2017 - 18 £	2018 - 19 £	2019 - 20 £
<b>Vehicles</b>						
Replacement Fire Appliances	0	0	0	864,000	889,920	916,618
Specialist Vehicles	646,893	0	0	0	0	0
<b>Property</b>						
New Castle Donington Day Crewing Plus (DCP) Fire Station	1,450,000	1,688,267	0	0	0	0
Major Premises Works and Estate Improvements	0	1,750,000	750,000	750,000	750,000	750,000
DCP New Builds / Refurbishments	1,431,746	0	0	0	0	0
Non DCP Works and Estate Improvements	427,390	0	0	0	0	0
<b>Other Requirements</b>						
Information Communications Technology (ICT) Technology Developments	82,251	50,000	50,000	50,000	50,000	50,000
SharePoint Infrastructure Architecture and Taxonomy	5,000	62,500	0	0	0	0
ICT Internal Phone (IP) Telephony Installation	0	90,000	0	0	0	0
ICT Gazetteer / Community Fire Risk Management Information System (CFRMIS)						
Integration	45,000	0	0	0	0	0
ICT Wide Area Network Improvements	56,502	127,498	0	0	0	0
Fire Control Project (Local and Regional)	1,250,578	0	0	0	0	0
Agresso upgrade to latest version (Milestone 4)	0	70,000	0	0	0	0
Procurement of Payroll System	0	70,000	0	0	0	0
Operational Equipment - Breathable Fire Tunics	0	87,750	0	0	0	0
Operational Equipment - Breathing Apparatus (BA) Communication Units	0	35,200	0	0	0	0
Operational Equipment - Bluetooth enabled Radios	0	16,000	0	0	0	0
Operational Equipment - 2014/15	110,498	0	0	0	0	0
Capitalisation of Consortium Insurance Company	100,000	0	0	0	0	0
	<b>5,605,858</b>	<b>4,047,215</b>	<b>800,000</b>	<b>1,664,000</b>	<b>1,689,920</b>	<b>1,716,618</b>
<b>Funded by:</b>						
Department for Communities and Local Government (DCLG) Capital Grant	1,048,713	0	0	0	0	0
DCLG Fire Control Grant	1,166,691	0	0	0	0	0
Revenue Contribution to Capital Outlay (RCCO)	202,554	87,750	0	0	0	0
Earmarked Reserve	138,670	39,538	0	0	0	0
Capital Receipts	133,250	261,500	0	0	0	0
Prudential Borrowing	2,915,980	3,658,427	800,000	1,664,000	1,689,920	1,716,618
	<b>5,605,858</b>	<b>4,047,215</b>	<b>800,000</b>	<b>1,664,000</b>	<b>1,689,920</b>	<b>1,716,618</b>
<b>Prudential Borrowing</b>						
Finance Lease	646,893	0	0	864,000	889,920	916,618
Other prudential borrowing	2,269,087	3,658,427	800,000	800,000	800,000	800,000
	<b>2,915,980</b>	<b>3,658,427</b>	<b>800,000</b>	<b>1,664,000</b>	<b>1,689,920</b>	<b>1,716,618</b>
<b>Full Year Revenue implications:</b>						
		<b>2015 - 2016</b>	<b>2016 - 2017</b>	<b>2017 - 2018</b>	<b>2018 - 2019</b>	<b>2019 - 2020</b>
Finance lease		0	-55,000	-40,000	40,710	42,570
Interest		77,150	146,340	36,000	38,400	40,000
Minimum Revenue Provision		111,220	109,750	24,000	95,970	98,130
		<b>188,370</b>	<b>201,090</b>	<b>20,000</b>	<b>175,080</b>	<b>180,700</b>