

LEICESTERSHIRE

FIRE and RESCUE SERVICE

Status of Report: Public Agenda Item: 10

Meeting: Overview and Scrutiny Committee
Date: 18th March 2015
Subject: Medium Term Financial Plan 2015/20
Report by: The Chief Fire and Rescue Officer and the Treasurer
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For: Discussion

1. Purpose

The purpose of this report is to update the Overview and Scrutiny Committee on the 2015/16 Annual Budget and to present the draft Medium Term Financial Plan (MTFP) for 2015-20 following the Combined Fire Authority's (CFA) decisions on the Integrated Risk Management Plan (IRMP) at its meeting on the 11th February 2015.

2. Executive Summary

2.1 The CFA agreed a gross volume standstill budget for 2015/16 of £38,035,290 and a final budget requirement of £37,123,957. It agreed a Council Tax for 2015/16 and authorised the Treasurer to raise the precept. The budget for 2015/16 has now been revised due to the receipt of detailed Business Rate income forecasts (NNDR1s) from the Billing Authorities (**Appendix 1**) and a revised Council Tax Collection Fund Surplus. The report contains details of the proposals and recommendations for the £227,412 additional income generated which were agreed by Policy Committee on the 4th March 2015.

2.2 In addition, Members are asked to note the medium term financial position for the period 2016/17 to 2019/20 (as shown in **Appendix 2**) and the anticipated future financial impact of further reductions to funding. A detailed list of growth and savings that have been agreed by the CFA over this period is shown in **Appendix 3** and a draft Capital Programme 2015-20 is shown as **Appendix 4**.

3. Report Detail

Revisions to the 2015/16 budget

3.1 The Department for Communities and Local Government (DCLG) announced the final 2015/16 settlement on the 10th February 2015. As verbally updated at the CFA meeting of the 11th February 2015, there were no changes to the provisional settlement received by the CFA on the 18th December 2014.

- 3.2 The CFA on the 11th February 2015 set a total final budget requirement of £37,123,957. After carefully considering all of the options available to it, the CFA set its tenth Council Tax at £60.43 for a Band D property (a 1.99% increase). The property tax base was 295,651.02. In total a sum of £17,866,516 is due to be raised from Council Tax in 2015/16 with a further £269,906 expected from the 2014/15 Council Tax Collection Fund Surplus.
- 3.3 Following receipt of updated information, the Council Tax Collection Fund Surplus for Harborough District Council has been increased by £4,033, from £13,820 to £17,853. The revised total Collection Fund Surplus is now £273,939 and this revision is reflected in the Revenue Spending Power in **Appendix 2**.
- 3.4 The Billing Authorities were required to submit their forecasts for business rate income (NNDR1) to DCLG on the 31st January 2015. The forecast business rates and Section 31 grant income for each billing authority is shown in **Appendix 1**. This has been matched to the DCLG estimate and will generate additional income for the CFA in 2015/16 of £223,379 (£133,498 on Business Rates and £89,881 on additional Section 31 grant).
- 3.5 It was agreed by the Policy Committee on the 4th March 2015 that of the total additional income of £227,412 in 2015/16, an amount of £114,000 will be transferred to a new earmarked reserve as the CFA's equal share of the potential costs arising from Fire Control collaboration with the City of Nottingham and Nottinghamshire Fire Authority. This will match the financial contribution already set aside by that Authority. It was further agreed that the remaining £113,412 should be transferred to the General Reserve. This has the effect of reducing the 2015/16 funding requirement from the General Reserve from £195,459 to £82,047 as reflected in **Appendix 2**.

Medium Term Financial Plan (MTFP) – Revenue Spending Power

- 3.6 The final settlement did not provide any financial details beyond 2015/16 due to the impending General Election in May 2015. On Local Government future funding, there are huge differences emerging between commentators on the extent of the cuts to come. The Office for Budget Responsibility is suggesting that 60% of the cuts remain whereas the Treasury asserts that further welfare cuts and tax-avoidance measures mean that the figure is only one-third.
- 3.7 **Appendix 2** sets out projected expenditure and income for the period 2016/17 to 2019/20 and is based upon the annual budget for 2015/16 that was agreed by the CFA. In order to look at the likely position for future years it has been necessary to make a number of assumptions in respect of both income and expenditure.
- 3.8 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. An increase of 1.99% is applied for each year from 2016/17 to 2019/20. This is in line with the current maximum allowed within the referendum limit. 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.

- 3.9 Pixel Financial Management act as external advisers to the Treasurer in providing information and analysis on the 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 in respect of Revenue Support Grant, Redistributed Business Rates, Business Rates Top Up and Section 31 grant for Business Rates Adjustment. This indicates that in 2016/17, funding from DCLG will reduce to £14,917,990 from £16,681,464 in 2015/16 (a reduction of 10.6%). This downward trend is predicted to continue throughout the MTFP.
- 3.10 The Fire Revenue Grant (New Dimensions) assumes a 1% increase in grant for each year, whilst the Firelink revenue grant assumes an increase in line with the Consumer Price Index (CPI) (1.3% as of October 2014). The CFA income is also assumed to increase in line with CPI.

Medium Term Financial Plan (MTFP) – Expenditure

- 3.11 In terms of 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.
- 3.12 The MTFP reflects the future year's effect of the agreed growth and savings for 2015/16 and the draft Capital Programme for 2015-20. An analysis of the growth and savings over the MTFP period is shown in **Appendix 3**. This has been updated from that presented to the CFA in February 2015 to include the effect of the CFA's agreed decisions on the 2015-20 IRMP. The MTFP reflects the ongoing revenue impact of the Capital Programme. A draft Capital Programme for the period 2015-20 is attached at **Appendix 4**.
- 3.13 The MTFP assumes that the General Reserve will be maintained at 5% until 2019/20.
- 3.14 The CFA at its meeting in February 2015 agreed a balanced budget for 2015/16. The MTFP is based upon the IRMP savings agreed by the CFA in February 2015 and also the current CFA position that that no wholtime operational staff redundancies are made. On this basis it can only be possible to produce a balanced budget in 2016/17 if a significant amount of the unallocated general reserve is used to support the budget. The MTFP forecast continues to show significant funding shortfalls in the years between 2017/18 and 2019/20.
- 3.15 The forward estimates from 2016/17 for Council Tax are not fixed and do not commit the CFA.

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 ensures 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 Overview and Scrutiny Committee is asked to note the report.

6. Background Papers

- a) Budget 2015/16 (CFA Report - 11th February 2015)
- b) Organisational Change Project – Integrated Risk Management Plan Consultation Outcomes (CFA Report - 11th February 2015)
- c) Medium Term Financial Strategy 2013-16 (CFA Report - 12th December 2012)
- d) Local Government Finance Settlement (Policy Committee Report – 14th January 2015)

- e) Local Government Finance Settlement (Overview and Scrutiny Committee Report – 28th January 2015)
- f) Medium Term Financial Plan 2015/20 (Policy Committee Report – 4th March 2015)

7. Appendices

1. 2015/16 Business Rate Income Forecasts
2. Draft Medium Term Financial Plan 2015-20
3. Growth and Savings 2015-20
4. Draft Capital Programme 2015-20

National Non-Domestic Rates Returns - (NNDR1) 2015/16

Authority	Blaby £	Charnwood £	Harborough £	Hinckley & Bosworth £	Leicester City £	Melton £	NW Leicestershire £	Oadby & Wigston £	Rutland £	TOTAL £
Billing Authority Income:										
Non-Domestic Rate Income for 2015/16	427,016	432,516	381,968	289,626	1,030,414	131,814	502,127	118,257	102,539	3,416,277
Estimates Surplus / (Deficit) for 2014/15	-31,070	26,138	2,838	6,572	26,810	3,004	-35,105	-4,340	-6,017	-11,170
Total Amount due to the CFA in 2015/16	<u>395,946</u>	<u>458,654</u>	<u>384,806</u>	<u>296,198</u>	<u>1,057,224</u>	<u>134,818</u>	<u>467,022</u>	<u>113,917</u>	<u>96,522</u>	<u>3,405,107</u>
Income Assumed by DCLG										3,271,609
Variance										133,498
DCLG Section 31 Grant:										
2015/16 Multiplier Cap	6,227	6,308	5,570	4,224	15,027	1,922	7,323	1,725	1,495	49,821
Small Business Rate Relief	6,110	16,212	8,820	11,474	42,724	6,312	9,462	4,924	4,686	110,724
Cost of Relief on First Property	0	24	0	14	324	0	78	102	0	542
New Empty Property Relief	0	492	376	98	828	0	0	0	46	1,840
Long Term Empty Property Relief	0	174	0	0	1,310	0	0	102	124	1,710
Retail Relief	1,034	6,968	3,522	3,230	19,344	3,552	2,916	2,220	1,684	44,470
Total Amount due to the CFA in 2015/16	<u>13,371</u>	<u>30,178</u>	<u>18,288</u>	<u>19,040</u>	<u>79,557</u>	<u>11,786</u>	<u>19,779</u>	<u>9,073</u>	<u>8,035</u>	<u>209,107</u>
Income Assumed by DCLG										119,226
Variance										89,881
Net Effect of NNDR1's										223,379

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

	ACTUAL 2015/16 £	FORECAST 2016/17 £	FORECAST 2017/18 £	FORECAST 2018/19 £
Revenue Spending Power				
Council Tax (Based on a 1.99% increase)	17,866,516	18,313,177	18,770,994	19,240,254
Revenue Support Grant	8,386,749	6,416,000	4,576,000	3,545,000
Redistributed Business Rates (Department for Communities and Local Government (DCLG) Estimate)	3,271,609	3,354,000	3,437,000	3,523,000
DCLG Business Rates Top Up	4,903,880	5,026,000	5,152,000	5,281,000
DCLG Section 31 Grant re Business Rate Adjustment	119,226	121,990	125,730	129,470
Combined Fire Authority Income	884,570	896,069	907,718	919,518
Fire Revenue Grant (New Dimensions)	896,899	905,868	914,927	924,076
Fire Revenue Grant (Firelink)	267,857	271,339	274,866	278,439
Permanent Revenue Spending Power	36,597,306	35,304,443	34,159,235	33,840,757
Gross Budget Requirement				
Initial Gross Budget (Brought Forward)	38,349,670	36,957,377	35,875,320	35,606,017
Less Temporary Growth from prior years	-41,750	0	0	0
Add Temporary Savings	159,950	0	0	0
Inflation Assumptions	29,370	29,940	30,000	30,000
Pay Inflation at 1% 2015/16 and 2% Ongoing	276,680	553,360	564,427	575,716
Support Staff (April) Increments	10,150	10,353	10,560	10,771
Ongoing Effects of 2014/15 Revised Estimate	-937,150	0	0	0
Revenue Costs of 2014/15 and 2015/16 Capital Programme	55,630	201,090	0	0
Introduction of Day Crewing Plus - Revenue costs of 2014/15 and 2015/16 Capital	132,740	0	0	0
Volume Standstill Budget	38,035,290	37,752,120	36,480,307	36,222,504
Identified Permanent Efficiency Savings (Detailed in Appendix 3)	-1,509,335	-1,973,790	-894,290	0
Revenue costs of 2016/17 to 2018/19 Capital Programme	0	0	20,000	175,080
Permanent Growth (Detailed in Appendix 3)	431,422	96,990	0	0
Permanent Budget Requirement	36,957,377	35,875,320	35,606,017	36,397,584
Permanent Budget surplus / (Shortfall)	-360,071	-570,877	-1,446,782	-2,556,827
Redistributed Business Rates (Billing Authorities Estimate)	133,498	0	0	0
DCLG Section 31 Grant re Business Rate Adjustments (Billing Authorities Estimate)	89,881	0	0	0
Council Tax Collection surplus	273,939	0	0	0
Use of unallocated general reserve	82,047	1,513,153	441,166	0
Reduction in general reserve	61,286	62,432	13,465	0
Temporary Revenue Spending Power	640,651	1,575,585	454,631	0
Temporary Savings (Detailed in Appendix 3)	-157,750	0	0	0
Temporary Growth (Detailed in Appendix 3)	324,330	1,004,708	1,331,393	801,302
Contribution to General Reserve	0	0	0	39,578
Contribution to Earmarked Reserve (Control)	114,000	0	0	0
Sub Total Temporary Expenditure	280,580	1,004,708	1,331,393	840,880
Final Budget Surplus / (Shortfall)	0	0	-2,323,544	-3,397,707
5% General Reserve @ 1 April	1,856,198	1,793,766	1,780,301	1,819,879
Council Tax Base	295,651.02	297,129.28	298,614.93	300,108.00
Band D Council Tax (Based on a 1.99% increase)	60.4311	61.6337	62.8602	64.1111

CFA Growth and Savings 2015/20

	Full Year Effect on:					Establishment Changes
	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £	
Efficiencies						
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	-12,660	-63,290	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
Fire Control Merger	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	-457,460	0	0	0	-12.00
Integrated Risk Management Plan (IRMP) Wigston Day Crewing Plus	0	-414,900	0	0	0	-14.00
IRMP Removal of Appliance in City	0	0	-779,040	0	0	-20.00
IRMP Disestablishment of Resilience Team	0	-473,070	0	0	0	-12.00
	-1,509,335	-1,973,790	-894,290	0	0	-87.40
Temporary Other Service Efficiencies						
Fire Training School at the Fire Service College	-70,000	70,000	0	0	0	0.00
PPE Breathable Fire Tunic	-87,750	87,750	0	0	0	0.00
	-157,750	157,750	0	0	0	0.00
Total Savings	-1,667,085	-1,816,040	-894,290	0	0	-87.40
Permanent Other Service Pressures/ Improvements						
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
Temporary Other Service Pressures / Improvements						
National Operational Guidance Programme	20,000	-20,000	0	0	0	0.00
Collaborative PPE Procurement Project	10,000	-10,000	0	0	0	0.00
Operational Over Establishment	200,330	-200,330	0	0	0	0.00
Operational Over Establishment (no redundancies)	0	1,004,708	326,685	-530,091	-314,357	0.00
PPE Breathable Fire Tunic	87,750	-87,750	0	0	0	0.00
Council Tax District Administration Support	6,250	-6,250	0	0	0	0.00
	324,330	680,378	326,685	-530,091	-314,357	0.00
Total Growth	755,752	777,368	326,685	-530,091	-314,357	8.00
Net Growth / Savings	-911,333	-1,038,672	-567,605	-530,091	-314,357	-79.40

CFA Draft Capital Programme 2015 - 2019

	REVISED					
	2014 - 15 £	2015 - 16 £	2016 - 17 £	2017 - 18 £	2018 - 19 £	2019 - 20 £
Vehicles						
Replacement Fire Appliances	0	0	0	864,000	889,920	916,618
Specialist Vehicles	646,893	0	0	0	0	0
Property						
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
Other Requirements						
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
	5,605,858	4,047,215	800,000	1,664,000	1,689,920	1,716,618
Funded by:						
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
	5,605,858	4,047,215	800,000	1,664,000	1,689,920	1,716,618
Prudential Borrowing						
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
	2,915,980	3,658,427	800,000	1,664,000	1,689,920	1,716,618
Full Year Revenue implications:						
		2015 - 2016	2016 - 2017	2017 - 2018	2018 - 2019	2019 - 2020
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
		188,370	201,090	20,000	175,080	180,700