

Leicester, Leicestershire and Rutland Combined Fire Authority

Medium Term Financial Strategy – Issues and Options

Combined Fire Authority

24th September 2015

(Abridged for Scrutiny Commission, 4 November 2015)

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>
<u>Expenditure</u>		
Employee costs		
• Operational	22.3	
• Other	4.5	26.8
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Running expenses		7.6
Capital financing		2.7
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		37.1
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<u>Income</u>		
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
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		36.9
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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)
BUDGET GAP	(0.1)	0.7	0.9	2.1
Add back:-				
Cost of posts disestablished but not vacated	1.0	1.7	1.8	1.3
ACTUAL GAP	0.9	2.4	2.7	3.4

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 25th 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.

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
Budgeted spending	34.6	34.2	34.2	35.0
<u>Add Back</u>				
Cost of posts disestablished but not vacated	1.0	1.7	1.8	1.3
Actual forecast spending	35.6	35.9	36.0	36.3

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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Total High Risk Savings	1,324
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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>
<u>Local Resources</u>				
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
<u>Grant</u>	13.8	11.7	9.9	9.1
Total Income	36.4	35.0	33.9	33.8
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)
Budgeted Gap/(Surplus)	(1.9)	(0.8)	0.3	1.3
Actual Gap/(Surplus)	(0.9)	0.9	2.1	2.5

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 st 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 st 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

5.0

GENERAL RESERVES

1.8

Potential to add £0.5m to provision for redundancy.

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