

Shropshire and Wrekin Fire and Rescue Authority Efficiency Plan 2016-20

Report of the Treasurer

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1 Purpose of Report

This report presents the draft Efficiency Plan for approval of the Authority, prior to its submission to the Home Office.

2 Recommendations

The Committee is asked to review the Efficiency Plan and approve its submission to the Home Office:

3 Background

The provisional Local Government Finance Settlement was published on 18 December 2015. As part of the Settlement, and to promote the move to more self-sufficient local government, an offer was sent out to any authority that wished to take it up, of a four-year funding settlement to 2019/20. Indicative allocations were published alongside the provisional settlement and were confirmed in the final settlement.

In order to obtain this four-year settlement, authorities are required to submit a robust and transparent efficiency plan. The plan should be locally owned and published in a way which allows the public to scrutinise progress.

The offer of a four-year settlement was put forward by the Department of Communities and Local Government; however following the move of the Fire Service to the Home Office, it has been confirmed that this offer is still available to fire authorities.

4 The Efficiency Plan

A template was provided by the Home Office to aid completion of the plan, and this has been used as the basis of the document attached. It has been completed in line with the Authority's strategic planning documents and therefore can be easily viewed alongside the reports and plans currently available.

It was important that the Home Office were provided with some context to the Authority's financial performance over the last five years, and its current position. A commentary has been included within the plan to provide this additional information.

The efficiency plan should be submitted to the Home Office by 14 October 2016.

Barring exceptional circumstances, the government intends to confirm the constituent elements of the multi-year offer for the remaining years of the Parliament for qualifying councils soon after 14 October. These amounts would then be published as part of the 2017/18 provisional local government finance settlement in due course.

5 Financial Implications

There are no direct financial implications other than those within the report.

6 Legal Comment

There are no direct legal implications arising from this report.

7 Appendix

Shropshire and Wrekin Fire and Rescue Authority Efficiency Plan 2016-20

8 Background Papers

There are no background papers associated with this report.

Shropshire and Wrekin Fire Authority

Efficiency Plan

2016-2020

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Efficiency Plan Commentary

This efficiency plan should be viewed and considered alongside the Fire Authority's Service Plan, which encompasses

- Medium term financial planning
- Integrated risk management planning, and
- Service transformation and improvement

A link to the Service Plan is provided here:

***to be inserted**

The plan sets out how the Authority aims to achieve its objectives of reducing the incidence of fires and other emergencies in the community.

Over the next five years there are undoubtedly challenges ahead as the number of traditional fire related risks continues to fall, but the pressures on the Authority continue to increase. There are now diverse risks and threats, such as those posed by climate change, terrorism and demographic changes of employees and the wider community. These changes are coupled with a very uncertain funding future for the Authority as the period of economic austerity is forecast to continue throughout the planning period.

Context

In order to put this efficiency plan into context, it is important to recognise how the Authority's strategic planning and change programme over the last five years has contributed to its current financial position, and how crucial its ability to produce timely and meaningful forecasts will be in future planning cycles.

Shropshire and Wrekin Fire Authority was one of the worst hit authorities in the previous Spending Review and subsequent Finance Settlement. A change in risk factors within its needs assessment led to grant reductions of 9.5% in 2011/12 and 3.4% in 2012/13, the highest percentage reduction over these two years. The Authority realised that major budget reductions were crucial to ensure that service delivery to the public of Shropshire did not suffer, and embarked upon a major consultation and cost cutting exercise –

Public Value. This exercise involved staff from every station and every department throughout the county. Staff and members worked side by side to identify where budget reductions could be made.

This programme of reductions began in 2011/12 and over the four year Spending Review period, a total of over £3million was cut from the revenue budget.

Throughout this four year period, as the reductions were being made, the employee retirement profile was used to identify the most opportune time to remove posts from the establishment. During the process these posts were sometimes removed before the budget reduction was required, avoiding future redundancy costs but resulting in a surplus on the revenue budget. This surplus was partly used to fund capital schemes, for example the replacement of fire appliances and specialist vehicles, and investment in IT infrastructure and training facilities. Funds were also added to reserves to support future revenue reductions, in areas such as operational equipment, training and pensions.

The Authority also took the opportunity to use some of the surplus to prepare the Service for the worsening financial position of the economy. The Service Transformation Programme was a high level programme of activities, reviews and projects established in 2012/13, to ensure that the Service was best placed to meet the challenges it faced in the coming years. These included process re-engineering and deployment of technical solutions to the burden attached to some processes.

The next stage

Despite the reductions to the Authority's revenue budget and a direction from members to increase council tax by just below the referendum spending limit, long term forecasts still predicted a deficit by the end of the planning period. Therefore the Authority was required to identify further savings in order to meet the deficit and protect the Service.

A further consultation was undertaken as part of the Integrated Risk Management Plan (IRMP) to review possible reductions over the next Spending Review period to 2019/20.

It was possible for some of the savings identified to be realised in the revenue budget in the earlier years, and as a result, a further £300k was saved in 2015/16.

The main projects from the IRMP review involved the development and implementation of major changes to shift patterns and working practices on operational watches and in Fire Control. These two projects have required extensive consultation and negotiation, and the ability to achieve savings of around £450k is anticipated at the end of the planning period.

The current position

Meanwhile, work has continued on the projects and activities within the Service Transformation Programme, with the majority of the projects modernising and strengthening the Service's IT infrastructure and systems. The focus has very much been on improving the systems available to staff, both operational and support, and introducing new ways of working across the organisation. These improvements have begun to generate non cashable efficiencies in terms of officer hours and days being reinvested into more effective working practices. The Service has recognised that these non cashable efficiencies have the potential to translate into real staff savings over the coming years.

The work undertaken by officers of the Service and members of the Authority has contributed to its current stable position. A long term view has been taken of the financial position of the Authority and this has influenced current decision making. In terms of strategy, the Authority have directed officers to model precept increases of 0.5% for the three years to 2019/20, and this will be reviewed and amended as more information becomes available.

However, the identification of efficiencies has always been an integral part of the Authority's budget setting process, and this approach will continue, particularly in the changing financial landscape.

Reserves Strategy

As the Authority has identified surpluses in funding due to the timing of post reductions and its retirement profile, funds have been carefully allocated into reserves in line with its Reserves Strategy, a copy of which has been submitted alongside this plan.

The reserves currently held are designed to:

- Fund major investments and capital schemes to avoid debt charges into the long term
- Ensure that unnecessary fluctuations in the revenue budget are avoided, and
- Deal with unexpected expenditure that could not have been anticipated.

In October 2014, the Fire Authority agreed that all identified savings and underspends should be diverted to its Unearmarked Capital Reserve, to be contributed towards major building improvements at the fire station and training centre in Stafford Park, Telford. This strategy was previously used between 2009 and 2011, when the Authority's new headquarters, workshops and fire

station at Shrewsbury were completed. No debt charges were incurred as the project was funded using government grant and reserves.

The Telford Central review project is being undertaken as part of the Integrated Risk Management Plan. The first stage of the project was to consider the requirements of the Service at this site for the next 30 to 40 years, and then to undertake a feasibility study for development of the site.

One of the major aspects of the project is to identify any opportunities to support other public sector partners, including West Mercia Police, and improve on the current multi agency facilities currently available in the region, whilst ensuring that these opportunities are complementary and supplementary to those existing facilities. There will also be savings to be made on maintenance costs, due to the poor condition of the current building.

Authority papers which detail the Telford Central review project can be found here.

<http://www.shropshirefire.gov.uk/sites/default/files/11d-irmp-3-telford-central-project.pdf>

http://www.shropshirefire.gov.uk/sites/default/files/11d-app-a-irmp-3_0.pdf

http://www.shropshirefire.gov.uk/sites/default/files/11d-app-b-irmp-3_0.pdf

http://www.shropshirefire.gov.uk/sites/default/files/11d-app-c-irmp-3_0.pdf

http://www.shropshirefire.gov.uk/sites/default/files/11d-app-d-irmp-3_0.pdf

The Authority will forecast its major investments into the next Spending Review period (beyond 2020) and this will inform future strategic planning.

Funding Assumptions

The following table sets out the assumptions the Authority is making about funding up to 2019-20.

Settlement Funding Assessment <i>(All figures are £000 unless stated)</i>	2015-16	2016-17	2017-18	2018-19	2019-20
Baseline Funding - Business Rates / Top Up	3559	3589	3659	3767	3888
RSG	3670	2944	2028	1561	1293
Settlement Funding Assessment Total	7229	6533	5687	5328	5181
Adjustment for Local Business Rate share (NNDR1) to DCLG Figure	73	52	0	0	0
Council Tax Forecast					
Band D Council Tax (£)	13091	13612	14286	14530	14719
Actual / Assumed Council Tax base increase on previous year	255	396	171	116	118
Yearly Council Tax Precept Increase	266	278	72	73	73
Collection Fund (council tax & business rates)	466	327	0	0	0
Estimated Total Council Tax Income	14078	14613	14529	14719	14910
Council Tax Band D Precept Increase (%)	1.99	1.98	0.50	0.50	0.50
Growth in Council Tax Base Yield to Previous Year (%)	1.95	2.91	1.20	0.80	0.80
TOTAL	21380	21198	20216	20047	20091

Budget Assumptions

The following table sets out the expected costs pressures facing the Authority alongside other income it expects to receive.

Employee Cost Pressures (£'000) <i>(All figures are £000 unless stated)</i>	2015-16	2016-17	2017-18	2018-19	2019-20
Pay Award	138	138	141	142	143
NI increases due to changes in state pension		270			
Pension costs increase		90			
FF Employer Pension Contributions (Change to Discount Rate)					
Total Employee Costs	13673	14356	14497	14639	14782
Cost Pressures (£'000)					
Inflation	80	82	84	86	88
Capital funded from revenue	1590	1960	829	332	605
Total Non Pay Bill Costs	8740	7899	6317	5705	6016
INCOME					
Section 31 Grants					
Rural Services Delivery Grant	-61	-318	-257	-197	-257
Transition Grant		-73	-91	0	0
Other grant		-81			
Other Service Income					
Interest on Balances	-50	-50	-50	-50	-50
Total Income	-111	-522	-398	-247	-307
Budget Requirement	22302	21733	20416	20097	20491
Financial Challenge Before Efficiencies	-922	-535	-200	-50	-400

Efficiency Savings

The savings already achieved in 2015-16 and those planned for the current and future years are detailed in the table below. Many of the projects will also deliver non-cashable savings to the Authority.

Efficiency Savings Assumptions <i>(All figures are £000 unless stated)</i>	2015-16	2016-17	2017-18	2018-19	2019-20
Operational Staff Savings	-200	-300	-200	-50	-400
Non-Operational Staff Changes	-100	-60			
Employer Pension Contribution Reductions					
Revenue Contribution to Capital					
Contingency Budget					
Debt Servicing Costs	-300	-85			
Property Cost Savings					
Other Running Cost Savings	-322	-90			
Total	-922	-535	-200	-50	-400

Capital Expenditure

As well as ensuring that the revenue budget is affordable over the medium term, the Authority also needs to ensure money is available to purchase new assets (e.g. buildings, vehicles, equipment). The planned capital programme is shown in the table below.

Estimated Capital Expenditure <i>(All figures are £000 unless stated)</i>	2015-16	2016-17	2017-18	2018-19	2019-20
Capital Expenditure	1590	3545	4310	5810	3150
Capital Expenditure Financing					
Capital Receipts					
Reserves	0	545	2798	2292	1150
Government grants & other contributions	0	1040	683	0	0
Direct Revenue Contributions	1590	1960	829	332	605
Unsupported / Prudential Borrowing	0	0	0	3186	1395

Use of Reserves

The projected balance of reserves for the period is shown in the following table.

Estimated Financial Reserves Levels <i>(All figures are £000 unless stated)</i>	2015-16	2016-17	2017-18	2018-19	2019-20
General Fund Balance	577	577	577	577	577
Earmarked General Fund Reserves	13403	10957	7286	5516	3906
Expected Use of Earmarked Reserves	-842	2446	3671	1770	1610