

DRAFT EFFICIENCY PLAN 2015-16 to 2019-20

Introduction

Cheshire Fire Authority (the Authority) has been successful in recent years in maintaining a high quality service whilst the level of financial support from central government has fallen significantly. This Efficiency Plan shows how the Authority is planning to meet the continuing challenge of maintaining service levels and ensuring quality, whilst reducing costs.

The Efficiency Plan explains how the Authority has estimated the likely scale of the efficiency challenge over the years up to 2019-20, and then explains and quantifies the savings programme in place to meet the challenge. It also identifies risks associated with the savings programme and the way in which the Authority intends to mitigate them.

There are a number of other documents which support the Efficiency Plan and these may be found on the Authority's website. In particular, the Authority has in place an Integrated Risk Management Plan (IRMP), and a Medium Term Financial Plan (MTFP), both approved by the Authority at its meeting in February 2016. *(Insert links)*. The MTFP has since been revised and the current version is here *(insert link)*.

The Authority has been successful in delivering savings over a number of years. In the five years ending in March 2016 the Authority delivered savings of around £8.7m. Key to this has been the delivery of its Emergency Response Programme (ERP1), which has reshaped the way in which operational services are delivered, including building four new fire stations and a safety centre, and delivered almost £4m in savings. The other key drivers in delivering savings have been other reviews of Service Delivery, for instance a move to riding fours on all appliances, Value for Money Reviews of support services and reviews of the delivery of prevention and protection services.

The scale of the efficiency challenge

The MTFP sets the IRMP in its financial context, looking forward to 2019-20, and so it includes assumptions about future funding and spending. It also determines the level of the efficiency challenge the Authority faces up to 2019-20.

Funding

Settlement Funding Assessment (SFA)

In the settlement for 2016-17, the Government provided estimated levels of Settlement Funding Assessment (SFA) for each year up to 2019-20. SFA includes Revenue Support Grant (RSG) and Baseline Funding (Business Rates paid over to the Authority by local authorities, and a Top Up grant from Government). The Government has asked local authorities to agree this level of funding, with the intention of adding more certainty to financial planning. However, there is likely to be some volatility in the level of Business Rates available as part of Baseline Funding. The level of SFA used in the MTFP is based on the Government's estimates.

Council Tax

In order to set Council Tax, the Authority balances the delivery of services necessary to meet the IRMP with the cost of providing them. In recent years the Authority has raised Council Tax by 1.99% and it is assumed that this will continue for the life of the plan. The Government is now building assumptions about Council Tax increases into its own estimates of local authority funding. No deficit or surplus on Council Tax or Business Rates collection funds is assumed. It is assumed that the tax base on which Council Tax is calculated will grow by 1% in each year

Appendix 1 shows the estimated levels of funding available to the Authority up to 2019-20 from both SFA and Council Tax. As can be seen, whilst the estimated RSG for the Authority reduces significantly over the life of the plan, this is partly offset by estimated increases in Council Tax and Business Rates.

The MTFP and cost pressures

The Authority faces some unavoidable cost pressures which are factored in to the estimates which underpin the MTFP.

Each year there is an assumption of a 1% increase in pay. Other cost pressures relating to pay are increases to National Insurance and pension contributions.

The Authority will complete ERP1 in 2017-18. One key factor which has enabled the delivery of ERP 1 has been the increase of new on call cohorts across the service. This is reflected in increased cost pressures in 2017-18. However, this must be seen in the context of the savings which ERP1 has delivered in reduced wholetime firefighter costs of just under £4m.

The Authority is now considering a second programme of Service Delivery review, Emergency Response Programme (ERP2). This is discussed more fully in the section on savings below. There will be cost pressures in 2018-19 and 2019-20, as a result of changes in duty systems, but overall ERP2 will deliver around £670k net savings, if approved by the Authority.

Other cost pressures include the introduction of an apprentice scheme, estimated at £190k. The cost pressures combine with reductions in funding to produce an efficiency challenge which the Authority needs to make savings to meet.

The Authority has a relatively low level of income which remains fairly stable year on year.

Appendix 2 shows the budget for the Authority for each year up to 2019-20 as estimated in the MTFP, and the financial efficiency challenge which the Authority faces. Appendix 3 shows the cost pressures which the Authority has estimated will arise.

The savings programme

Table 1 shows how the Authority intends to meet its renewed efficiency challenge.

Table 1: Savings programme

	2015-16	2016-17	2017-18	2018-19	2019-20
	£000	£000	£000	£000	£000
ERP 1	950		1,700		
ERP 2			506	432	128
VFM/organisational reviews	684	790			304
Management restructure	211		94		
Property related	35				
Supplies and services	77				
ICT efficiencies		110			
Total savings	1,957	900	2,300	432	432

The savings shown in 2017-18 are largely the final elements of the savings to be made as result of ERP1, and represent a reduction in firefighter numbers at wholtime stations, which will lead to the saving of £1.7m. These reductions are made possible by an increased use of on call firefighters and the reconfiguration of firefighting capability as a result of the development of the new fire stations and safety centre.

ERP2 builds on the success of ERP1. It does this by re-assessing the demands which the service faces in the light of the latest business intelligence, and carefully judging how best to deploy resources across the service to ensure that the community is kept safe and incidents are quickly and efficiently dealt with. It recognises the need for flexibility in service delivery, reviewing the numbers and positioning of wholtime firefighters on stations and on specialist activity. It will review and alter duty systems to allow the most productive use of resources. This will ensure that critical risk is successfully managed and the delivery of services to the community is maintained to the necessary standards, whilst costs reduce.

ERP2 will also review the management structure in place to support the delivery of operational activity. In doing so it will ensure that a responsive and sufficient management capability is maintained across the service. The specific proposals which contribute to ERP 2 remain to be agreed by the Authority and will be consulted on in autumn 2016. The proposals and the level of savings they will achieve if agreed are shown in Table 2.

Table 2: ERP2 proposals

Item	£000
Changes to Flexible Duty Rota	268
Revision to Nucleus Duty System	240
Review of special appliances	188
Review of duty system at Penketh Fire Station	370
Total potential savings	1,066

ERP2 will focus on the Service Delivery team whose primary role is to respond to incidents. Other areas of the Authority's business will be subject to Value for Money Reviews. Those relating to ICT systems and support services will be viewed in the context of the Authority's collaboration with the Police (please see the paragraph on collaboration for more details). By undertaking these reviews, and identifying optimum resource levels, the Authority will deliver the savings required to meet the efficiency challenge whilst maintaining a safe service to the community.

Risks in delivering the savings

The Authority recognises that there are risks to the delivery of its savings programme. Some of the key risks relating to the savings programme and the way in which they are mitigated are shown in Table 3.

Table 3: Assessment of risk related to savings.

Saving	Risk	Mitigation
ERP1/2	Reductions in numbers of Firefighters leads to unacceptable risk levels Delays in programme delivery	Use of Business Intelligence to model risk. Development of new crewing arrangements offering greater flexibility. Maintaining focus on prevention and working collaboratively to target risk in the community. Effective programme management. Robust level of reserves to manage programmes not aligned with budget savings targets, and delays to programmes
VFM/organisational reviews	Reduction of staffing to unacceptably low levels	Effective VFM technique. BLC programme leading to more resilience
Management restructure	Reductions in management support leads to unacceptable risk levels	Use of Business Intelligence to model risk. Effective incident related training. Clear definition of management responsibilities.
ICT efficiencies	Failure of ICT systems to support the service	Effective ICT strategy BLC programme leading to more resilience

Capital Expenditure

Table 4 shows the estimated capital expenditure of the Authority up to 2019-20, along with the funding plan.

Table 4: Capital expenditure

	2015-16	2016-17	2017-18	2018-19	2019-20
	£000	£000	£000	£000	£000
Capital Expenditure	6,059	12,921	3,935	2,056	2,065
Capital Expenditure Funding					
Capital Receipts	61	55	55	55	55
Reserves	3,078	10,291	3,880	2,001	2,010
Government grants & other contributions	2,920	2,576			
Total funding	6,059	12,922	3,935	2,056	2,065

In 2016-17 the capital element of ERP1 will be completed, which accounts for the significant spike in spending in that year. The remainder of the capital programme consists mainly of the purchase of vehicles and equipment. The Authority is not intending to borrow to fund its capital expenditure programme, but rather use a combination of government grant, reserves and capital receipts. The revenue implications of the capital programme are contained within the revenue element of the MTFP.

The Authority is also investigating the potential development of an improved training facility, as it seeks to enhance its training capability. This has not yet been agreed, so no costs relating to it are included in this plan, but if approved it will add significantly to the capital programme in future years. It is the intention to fund any capital costs relating to the Training Centre from reserves.

Collaboration

The Authority has agreed an ambitious programme of collaboration with Cheshire Police, and delivery of the programme is well under way. As a result the two organisations will share a Headquarters and support services. It is not anticipated that this will lead to substantial cashable savings for the Authority. However, the close proximity of the management teams will lead to a more cohesive approach in delivering services. In addition, support teams in both organisations have previously reduced in size to meet the need for savings, and the collaboration will deliver a significant increase in resilience. It is anticipated that future collaborative opportunities for the two organisations will emerge as joint working becomes the norm.

The Authority, the Police and the North West Ambulance Service have also commissioned a joint review of their estates with a view to a further rationalisation. Services are already successfully delivered from shared sites, for example all three blue light services operate out of the Authority's on call fire stations at Poynton, and the Authority and North West Ambulance Service (NWS) share sites at Winsford, Macclesfield, Wilmslow, Ellesmere Port and Sandbach, and

share facilities at Poynton, Nantwich and Birchwood. It is likely that there will be further opportunities for working out of shared sites identified by the review, particularly following the model of the successful tripartite arrangements at Poynton.

In addition, the extent of potential collaboration in training between the Authority and Cheshire Police is being investigated as part of the consideration of improved training facilities mentioned in the previous section.

Broader collaboration with partners across the public sector but particularly in the health sector will help the Authority to develop new and improved preventative activity in the community. In particular the Authority is introducing more comprehensive home visits and is working on an initiative to be first responder to cardiac arrests. The Authority also works in partnership with NWAS to gain entry to properties which they are unable to access. These initiatives will not deliver any cashable savings to the Authority but it is anticipated that they will lead to wider savings and more efficient working across the public sector

In partnership with Greater Merseyside, Lancashire and Cumbria FRS, the Authority has developed the North West Fire Control which mobilises all four service to incidents.

Performance Information

The Authority produces quarterly performance information which is reported to Performance and Overview Committee and is available on the Authority's website. This includes a "corporate scorecard" which is a simple presentation of the Authority's performance, and comprehensive management accounts information. In addition to this, the Authority produces the following documents:

- An annual Statement of Assurance
- An annual Governance Statement
- An annual Statement of Accounts
- Information on payments, salaries and contracts as required by the Transparency Code
- A Treasury Management Report
- Quarterly Internal Audit reports, showing progress on the Internal Audit programme and highlighting recommendations

Reserves Strategy

Reserves are essential to ensure the financial stability of the Authority. The Authority has in place a reserves strategy, and a summary of the estimated use of reserves up to 2019-20 is shown in Table 6.

Table 6: Use of reserves

	2015-16	2016-17	2017-18	2018-19	2019-20
	£000	£000	£000	£000	£000
General Fund Balance	6,467	6467	5,267	5,267	5,267
Earmarked General Fund Reserves	29,290	30,242	16,808	12,797	10,828
Expected Use of Earmarked Reserves	(952)	14,634	4,011	1,970	3,398

It is the Authority's policy to use reserves to fund its capital programme. As can be seen there is a significant reduction in the level of reserves estimated by the end of 2016-17. Of the estimated use of reserves of around £15m in this year, an estimated £13m will be used to fund the capital element of ERP1 and other capital expenditure. Similarly in 2017-18 the estimated use of reserves to fund capital expenditure is around £4m. The Authority will continue to fund its capital programme and one off costs in relation to its IRMP, and other revenue items, by judicious management of its reserves.

Reserves will also be used where necessary to ensure that any part of the savings programme where the achievement of the savings is delayed will not cause immediate budgetary issues. Reserves will also be used where necessary to fund invest to save initiatives, and to fund key prevention activities such as the fitting of smoke alarms.

Monitoring of the Efficiency Plan

The Efficiency Plan will be regularly monitored and updated on an annual basis. An annual report will be produced detailing progress against the plan.

Appendix 1: Estimated Funding 2015-16 to 2019-20

	2015-16	2016-17	2017-18	2018-19	2019-20
	£000	£000	£000	£000	£000
Settlement Funding Assessment					
Baseline Funding - Business Rates / Top Up	8,594	8,666	8,836	9,097	9,388
RSG	8,843	7,370	5,496	4,513	3,927
Settlement Funding Assessment Total	17,437	16,036	14,333	13,610	13,315
Adjustment for Local Business Rate share (NNDR1) to DCLG Figure	105	149	0	0	0
Council Tax Forecast					
Band D Council Tax	23,655	24,513	25,541	26,314	27,111
Actual / Assumed Council Tax base increase on previous year	388	530	260	268	276
Yearly Council Tax Precept Increase	470	498	513	528	544
Collection Fund (council tax & business rates)	328	304	0	0	0
Estimated Total Council Tax Income	24,841	25,845	26,314	27,111	27,931
Total Funding	42,383	42,030	40,647	40,721	41,246
	%	%	%	%	%
Council Tax Band D Precept Increase	1.99	1.99	1.99	1.99	1.99
Growth in Council Tax Base Yield to Previous Year	1.61	2.16	1.00	1.00	1.00

Appendix 2: MTFP and financial challenge

	2015-16	2016-17	2017-18	2018-19	2019-20
	£000	£000	£000	£000	£000
Total Employee Costs	30,303	29,635	30,909	29,096	29,149
Total Non Pay Bill Costs	15,759	15,210	13,862	13,804	14,276
Total Costs	46,062	44,845	44,772	42,900	43,425
Total income	1,722	1,915	1,825	1,746	1,746
Net cost of the service	44340	42,930	42,947	41,154	41,679
Total Funding (from Appendix 1)	42,383	42,030	40,647	40,721	41,246
Financial Challenge Before Efficiencies	1,957	900	2,300	433	433

Appendix 3: Cost pressures

	2015-16	2016-17	2017-18	2018-19	2019-20
	£000	£000	£000	£000	£000
Employee cost pressures					
Pay Award	310	298	305	286	285
Apprentice levy			152		
Changes to National Insurance/Pensions	186	149	60		500
ERP1 on call cohorts	300	100	50		
ERP 2 duty system changes				200	200
Non Employee cost pressures					
Inflation	215	230	203	225	235
New stations revenue impact	203	179	280		
Apprentice scheme			190		
Premises	81				
Other cost pressures	129	14	320	300	300
Total cost pressures	1,424	970	1,560	1,011	1,520