



**NOTTINGHAMSHIRE**

**Fire & Rescue Service**

*Creating Safer Communities*

Nottinghamshire and City of Nottingham  
Fire and Rescue Authority  
Finance and Resources Committee

# **BUDGET PROPOSALS FOR 2017/2018 TO 2019/2020 AND OPTIONS FOR COUNCIL TAX 2017/2018**

Report of the Chief Fire Officer

**Date:** 20 January 2017

**Purpose of Report:**

To allow Members to consider the options for the recommendation of a balanced revenue budget to the Fire Authority for acceptance. Implications for Council Tax are also considered.

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## 1. BACKGROUND

- 1.1 The Finance and Resources Committee is charged with considering the financial position of the Authority and proposing revenue and capital budgets to the Fire Authority for approval. The Fire Authority will also decide upon levels of Council Tax for the coming year and will consider the recommendations of the Finance and Resources Committee in doing so.
- 1.2 In mid-December, the government announced the provisional grant settlement for 2017/2018 which was largely in line with the 2017/2018 indicative finance settlement published the previous December as part of the four year funding offer, but reflected an increase in business rates funding arising from an increase in the Retail Price Index. The final settlement for 2017/2018 will be laid before Parliament in February.

## 2. REPORT

### CAPITAL BUDGET PROPOSALS 2017/2018 TO 2019/2020

- 2.1 The Authority maintains a sustainable Capital Programme that has been planned out over an extended period. This programme seeks to replace appliances and vehicles when they are approaching the end of their useful life, maintains a rolling programme of ICT replacements and a property programme that will ensure that property remains fit for purpose, is appropriately located and can be contained within the internal capacity of the organisation to complete.
- 2.2 The programme is set out for the next three years and reflects proposed new expenditure. Actual expenditure in each year may also be increased by slippage carried forward from the prior year.

The proposed Capital Programme for 2017/2018 to 2019/2020 is therefore as follows:

<b>Capital Programme Item</b>	<b><u>2017/18</u> <u>Proposed</u></b>	<b><u>2018/19</u> <u>Proposed</u></b>	<b><u>2019/20</u> <u>Proposed</u></b>
	<b>£</b>	<b>£</b>	<b>£</b>
Appliance Replacement	0	0	2,417,000
Special Appliances	379,000	0	99,500
Appliance Equipment	28,000	0	0
Light Vehicle Replacement	733,000	363,500	187,000
<b>Transport Total:</b>	<b>1,140,000</b>	<b>363,500</b>	<b>2,703,500</b>
BA Sets	595,000	0	0
Conversion of Hose Reel Equipment	200,000	0	0
Lightweight Fire Coats	180,000	0	0
Personal Protective Equipment	0	0	650,000
<b>Equipment Total:</b>	<b>975,000</b>	<b>0</b>	<b>650,000</b>

<b>Capital Programme Item</b>	<b>2017/18 Proposed</b>	<b>2018/19 Proposed</b>	<b>2019/20 Proposed</b>
Fire Station Project	2,000,000	425,000	75,000
<b>Property Total:</b>	<b>2,000,000</b>	<b>425,000</b>	<b>75,000</b>
ICT Capital Programme	140,000	140,000	140,000
Mobile Computing	20,000	20,000	20,000
<b>ICT Total:</b>	<b>160,000</b>	<b>160,000</b>	<b>160,000</b>
Performance Management System	103,000	0	0
Emergency Services Mobile Communications Project	116,700	40,700	
<b>IT Systems Total:</b>	<b>219,700</b>	<b>40,700</b>	<b>0</b>
<b>Total Capital Programme:</b>	<b>4,494,700</b>	<b>989,200</b>	<b>3,588,500</b>

- 2.3 The rescue pump renewals programme will be temporarily suspended whilst a review of appliance equipment is undertaken as part of the Sustainability Strategy 2020. The Strategic Leadership Team has approved the extension of the rescue pump's useful life from thirteen to fifteen years to reflect actual experience in recent years and this will allow the time for the equipment review to be conducted and for recommendations to be made about the technical specification of appliances for the future. The capital budget for appliances in 2019/2020 will cover the purchase of 8 rescue pumps which will bring the Authority back on track with the replacement programme. Orders for these will be placed towards the end of 2018/2019.
- 2.4 The special appliances budget covers the Command Support Unit and a replacement Training Vehicle for the Driving School.
- 2.5 The light vehicle programme has been virtually suspended during recent restructures and the lives of vehicles have been extended where possible. This was to avoid purchasing vehicles which may not have been required going forward. The vehicle replacement strategy was approved by the Finance and Resources Committee in 2016 and allows for a fewer number of vehicles to be replaced in future years, which reflects the contracting size of the organisation and more efficient ways of working. Nevertheless the capital programme is quite substantial over the three year period as there will be an element of "catching up" with vehicle purchases.
- 2.6 There are three projects within the equipment programme for 2017/2018: the replacement of breathing apparatus and ancillary equipment as part of a managed service package when the current provision reaches the end of its ten year life; the conversion of hose reel equipment as the current branches become uneconomical to repair and the purchase of lightweight fire coats designed to protect personal protective equipment from an element of wear and tear, thereby extending its life. In 2019/2020 personal protective equipment is due to be replaced. Previous practice has been to purchase new personal protective equipment from the revenue budget but, as experience

has shown that such equipment can be successfully refurbished to extend its life, it will now be treated as capital expenditure for the new issue of equipment with the cost to the revenue budget spread over the life of the equipment.

- 2.7 The property programme allows for one fire station to be re-built during the three year period, together with a feasibility study to prepare for the next project. The programme covers the construction of a new fire station at Newark and this budget sets aside the resources to continue with the Authority's sustainable capital programme which will ensure that all property assets remain fit for purpose over time.
- 2.8 The ICT programme has been pared back and now contains budget to replace items by way of a rolling programme and provision for the general expansion of ICT usage across the organisation.
- 2.9 There is provision in the capital programme for a new performance management system to be implemented during 2017/2018. In addition, the Authority is due to receive capital grant from the government to support the Emergency Services Mobile Communications Project and, whilst the detail of what expenditure will be required is not yet known, an equivalent capital expenditure budget has been included in the programme.

## **REVENUE BUDGETS 2017/2018 TO 2019/2020**

- 2.10 The budget report presented to the Fire Authority in February 2016 detailed a revenue budget requirement of £42.2m for 2017/2018. It was estimated at this time that this would result in a budget deficit of between £2.4m and £2.9m for that year, and that there would continue to be a budget deficit going forward up to 2019/2020. During this year's budget process the focus has been on driving out further savings and on re-defining budget assumptions by taking a more risky approach to estimating in order to eliminate the element of contingency built into some budgets.
- 2.11 The riskier approach outlined above has translated into a revenue budget which reflects the best estimates of likely actual expenditure and this has made a substantial difference, in particular to those pay budgets which have traditionally been constructed based on the approved establishment. The Administrative and Support pay budget includes a vacancy factor of 1.5% (previously it was 1%) and the Retained pay budget has been re-adjusted to take account of actual numbers recruited in 2016/2017 and planned recruitment over the next three years. The Wholetime pay budget has been prepared on the basis of an establishment of 455 posts in 2017/2018, 445 posts in 2018/2019 and 449 posts in 2019/2020 (the current approved establishment is 476 posts). This allows for retirements and leavers and some recruitment later in the three year period but is nevertheless significantly below the approved establishment and has resulted in a temporary saving of £673k in 2017/2018. This also means that the pre-planned overtime budget has increased by £300k to allow for the additional cost of covering ridership

vacancies in accordance with the current collective agreement, and budget has been provided for temporary posts to deliver “invest to save” projects by 2019/2020. The budgetary position shown later in this report assumes that the temporary savings to the pay budget will become permanent savings at some point by 2019/2020 but of course this will be a matter for the Fire Authority to determine.

2.12 Detailed budgets have been prepared for the three years 2017/2018 to 2019/2020. A number of key assumptions have been made in drawing up these budgets including assumed pay awards of 1% per annum for all groups of employees. The budget for 2017/2018 will not be finalised until the end of January 2017, when the surplus or deficit on collection fund and the taxbase are confirmed by the billing authorities.

2.13 The base budget for the current year 2016/2017 is £41,295k. This can be subdivided into its major elements:

Budget Heading	Base Budget 2016/17 £000's	Percentage of Total Budget
Wholetime Pay	21,493	52.0%
Retained Pay	2,919	7.1%
Control Pay	1,027	2.5%
Admin. & Support Pay	5,817	14.1%
<b>Total Pay</b>	<b>31,256</b>	<b>75.7%</b>
Capital Financing	2,316	5.6%
Non Pay	7,723	18.7%
<b>Total Budget</b>	<b>41,295</b>	<b>100.0%</b>

2.14 The budget process has resulted in a number of proposed changes to the 2016/2017 base budget, and these are set out in the following table:

Changes to Budget Requirement		£000's	£000's
<b>Base Budget 2016/17</b>			<b>41,295</b>
<b>Pay:</b>			
Administrative & Support Pay			
	Restructures & Deletions of Posts	-230	
	Pay Award 1%	57	
	Increments	67	
	Increase in Employer Pension Contribution	132	
	Temporary Project work to support change transition	350	
	Other minor changes	-26	352

<b><u>Changes to Budget Requirement</u></b>		<b>£000's</b>	<b>£000's</b>
<u>Wholetime Pay</u>			
	Changes to budget assumptions various	-145	
	Pay Award 1%	213	
	Remove funding for Project Work - reallocate to Administrative Pay	-185	
	Increase in pre-planned overtime to cover vacancies	300	
	Changed budget assumption re number of posts - Net saving after retirements, leavers, new trainees	-673	-490
<u>Retained Pay</u>			
	Changes to budget assumptions various	-1	
	Increase in Community Safety work	83	
	Changed budget assumptions re no. of courses / posts	-165	
	Pay Award 1%	29	-53
<u>Control Pay</u>			
	Changes to budget assumptions various	-35	
	Establishment change	-6	
	Pay Award 1%	10	
	Increase in Employer Pension Contribution	16	-15
<b><u>Capital Financing:</u></b>			
	Net Change	113	113
<b><u>Non-Pay:</u></b>			
<u>Inflation</u>			
	Members Allowances 1%	1	
	Premises inflation (net)	10	
	Premises contracts price increases	9	21
<u>Adjustments to Budget</u>			
	Remove contribution from reserves to support SRT restructure	-350	
	Adjust FireLink grant in line with actuals	-35	-385
<u>Unavoidable Growth:</u>			
	Retirement / long service awards	1	
	Blue light fittings	26	
	Insurance tender	2	
	Pension administration workloads	6	
	Apprenticeship Levy	107	
	Contribution National Pensions Scheme Board	4	
	Reduced telephone call income	3	
	Ill health retirements	33	
	Motor insurance	27	

<u>Changes to Budget Requirement</u>		<b>£000's</b>	<b>£000's</b>
	Community safety consumables	3	
	Reduction in investment income	10	
	Overnight accommodation	12	235
<u>Growth</u>			
	Training CFBT / BAAR 3	48	
	Spring Forward programme (1 YO)	10	
	Backlog building maintenance	20	
	ICT Training requirement (1 YO)	20	
	Pulp Friction at SDC, recruit Cook (1 YO)	10	
	Methods of entry training	1	
	Hose reel branches	20	
	Rip saws and impact drivers	25	154
<u>Net Change to Non-pay / Income re Princes Trust Reduction</u>			
	Reduction in Princes Trust Non-pay (net) due to fewer teams	-49	-49
<u>Corrections / Minor Adjustments</u>			
	Training	4	
	Office equipment	-1	
	Insurance claims handling	-1	
	Subscriptions / Reference books	-1	
	Corporate costs	-2	-2
<u>Reversal of Temporary Budget Changes from 2016/2017</u>			
	Fitness Equipment	-9	
	No longer doing Workplace Culture benchmarking	-22	-31
<u>Redesign of Service Delivery</u>			
	Less PPE due to restructure of SRT	-19	
	Less PPE required as nos. of staff reduce	-25	
	Restructure - Estates	-21	
	Media / Comms restructure	-1	
	Travel expenses	-17	-82
<u>Procurement</u>			
	Tyres	-5	
	Payroll in-house	-51	
	Training of Instructors	-21	
	Printing	-4	
	Intonox contract price saving	-3	-84
<u>Maximise benefit &amp; value of assets</u>			
	Closure of Central, opening of London Rd	-40	
	Gas detection suits life extended	-25	-65

<b>Changes to Budget Requirement</b>		<b>£000's</b>	<b>£000's</b>
Changes in Budget Assumptions			
	Electricity	-30	
	Gas	-25	
	Fuel	-28	
	ICT contracts	-20	
	Personal Protective Equipment	-24	
	Operational Equipment	-20	
	Pensions	-31	
	Partnerships	-12	-190
<b>Budget Requirement 2017/18</b>			<b>40,724</b>

2.15 The Fire Authority approved a Sustainability Plan for 2016/2017 to 2019/2020 at its meeting in September 2016, which was published under the terms of acceptance of the government's four year settlement offer. This plan was prepared on the basis of the budget approved by the Fire Authority in February 2016 and will need to be updated and republished in the light of the budget approved by the Fire Authority in February 2017. The current Sustainability Plan is attached at Appendix A and set a savings target of up to £3.8m over the four year period, with an interim target of up to £2.4m by April 2017.

2.16 The draft budget for 2017/2018, as set out in paragraph 2.14, has achieved savings as follows:

- 2.16.1 Procurement savings: £84k
- 2.16.2 Maximising the benefit and value of assets savings: £65k
- 2.16.3 Redesign of service delivery savings: £361k

In addition, budgetary savings have been achieved by amending budget assumptions to eliminate contingencies and this has produced savings of £190k (non-pay budgets) and £181k (pay budgets). This brings the total savings achieved to £881k. The refresh of the Sustainability Plan will be included in the next Statement of Assurance.

## **FUTURE YEARS**

2.17 The detail of the budget requirements for 2018/2019 and 2019/2020 will be set out in the budget paper to be presented to the Fire Authority in February. The total budget requirements for all three years of the medium term budget period are:

<b>Year</b>	<b>£000's</b>
2017/2018	40,724
2018/2019	41,078
2019/2020	41,593

## FINANCING THE BUDGET

2.18 The Authority primarily receives income from Revenue Support Grant, Business Rates and Council Tax. The government announced the provisional finance settlement on 15 December 2016 covering the three years to 2019/2020 and this is being used for planning purposes with the final settlement for 2017/2018 expected in February 2017. Experience shows that there is likely to be little change from the provisional figures.

2.19 In making predictions about budget financing some assumptions have been made. These are:

i) **That business rates collected by the billing authorities will be broadly in line with the assumptions made in the provisional settlement.**

This is unknown but the assumptions in the provisional settlement seem to be broadly in line with the figures declared by the billing authorities last year. Business rates funding will be confirmed by billing authorities at the end of January 2017.

ii) **That the taxbase will increase in line with forecasts provided by the billing authorities**

This again is unknown until the end of January 2017 but it is unlikely that the actual taxbase will be significantly different from forecasts.

iii) **That the actual settlement is the same as the provisional.**

This is a reasonably safe assumption, given that there is hardly ever a change in these figures.

iv) **That surpluses and deficits on the collection fund accounts will be broadly the same as they were in 2016/2017.**

This is probably the most risky assumption in that most billing authorities will not declare their position until the very end of January and the actual amounts declared as uncollectable will vary from one authority to another. The budget assumes that there will be an overall surplus on collection which is the same as the current year i.e. £421k – if there is a material difference from this assumption then this will most likely have to be managed through General Reserves.

2.20 The finance settlement provided the provisional figures for 2017/2018, 2018/2019 and 2019/2020:

	2017/2018 £	2018/2019 £	2019/2020 £
Revenue Support Grant	6,978,641	5,961,472	5,335,308
Business Rates Assumption	3,469,609	3,599,029	3,751,787
Top Up Grant	6,659,508	6,855,969	7,075,098
<b>Total External Funding</b>	<b>17,107,758</b>	<b>16,416,470</b>	<b>16,162,193</b>

The reduction in external funding between 2016/2017 and 2019/2020 amounts to just over 14%.

- 2.21 The government announced, within the finance settlement, that the council tax increase threshold, above which a referendum would be triggered, would remain at 2%. No council tax freeze grant is being offered to authorities who maintain council tax next year at current levels.
- 2.22 The following table brings together the budget requirement and the finance settlement figures and presents the position for the Authority if there was no change to the level of council tax in each of the three years:

	<b>2017/2018</b> <b>£</b>	<b>2018/2019</b> <b>£</b>	<b>2019/2020</b> <b>£</b>
Total External Funding	17,107,758	16,416,470	16,162,193
Budget Requirement	40,723,618	41,077,747	41,591,954
Balance to be met locally	23,615,860	24,661,277	25,429,761
Council Tax Yield*	22,628,497	22,933,981	23,243,590
<b>Budget Shortfall</b>	<b>987,364</b>	<b>1,727,296</b>	<b>2,186,171</b>
<b>(Cumulative)</b>			

\*Assumes a rise in tax base but no rise in Council Tax

The above figures show that a budget deficit of £987k will need to be eliminated in order for the Fire Authority to approve a balanced budget for 2017/2018. Even when this has been achieved, there will be a requirement to find further savings of approximately £1.2m by 2019/2020 as shown in the above table (savings of £2.2m in total) and the Fire Authority will also need to determine the future size of the Wholetime pay budget and whether or not the temporary savings built into the base budget can be converted into permanent savings (see paragraph 2.11). If this cannot be achieved then the total savings required over the three year period amounts to around £2.9m.

- 2.23 A council tax increase of 1% would generate additional funding of £227k, and a 1.95% increase would realise a total of £441k in 2017/2018. For a Band D household a 1.95% increase would see a rise in council tax to £75.29 per annum (an increase of £1.44 per annum, which is just under 3 pence per week additional cost). The impact of an increase in council tax of 1.95% for each property band is given in the table below:

<b>Band</b>	<b>Annual Council Tax £</b>
A	50.19
B	58.56
C	66.92
D	75.29
E	92.02
F	108.75
G	125.48
H	150.58

## **RESERVES AND BALANCES**

- 2.24 General reserves stood at £7.4m in March 2016 and the latest position on revenue budget monitoring (a report is elsewhere on this agenda) indicates that an additional £353k will be added to general reserves at the end of this financial year, bringing the total general reserves balance to just under £7.8m. A risk assessment to determine the minimum level of general reserves to hold is underway and the results of this will be reported to the Fire Authority in February.
- 2.25 The major areas of underspend arising in 2016/2017 are within supplies and services, government grant and interest charges and these have been addressed in the budget going forward where appropriate. The area where funding needs to be maintained is the capital financing budget which must be sufficient to allow the Authority to meet its Capital Financing Requirement.
- 2.26 The medium term budget deficit will have to be addressed and savings will need to be approved in due course by the Fire Authority in order to achieve this. However the planning, approval and implementation of some solutions will take time, particularly where employee and public consultation is required, so Members may wish to consider using general reserves to support the budget deficit in 2017/2018 as a temporary measure, as set out in the Medium Term Financial Strategy.

## **BUDGET OPTIONS**

- 2.27 The Fire Authority at the December 2016 meeting considered four options for council tax. Two of these were eliminated from further consideration, with the Authority recommending that the Finance and Resources Committee work within the following guidelines in making its recommendations to the Fire Authority in February:
- The options for council tax to be recommended to the Fire Authority will be limited to either a council tax freeze or an increase in council tax within the referendum limit;
  - If required, options for eliminating any budget deficit to enable the Fire Authority to approve a balanced budget as required by law will be presented to the Fire Authority.
- 2.28 The effect of a zero increase in council tax is set out in paragraph 2.20 above and shows a significant deficit for the three years. With the removal of council tax freeze grant as an incentive for Authorities to maintain council tax at current levels, this is a less attractive option than it may have been previously. The current level of council tax for a Band D household is £73.85 per annum.
- 2.29 A proposal to increase Council Tax by 1.95% in each of the three years of the budget strategy would yield the following results:

	2017/2018 £	2018/2019 £	2019/2020 £
Total External Funding	17,107,758	16,416,470	16,162,193
Budget Requirement	40,723,618	41,077,747	41,591,954
Balance to be met locally	23,615,860	24,661,277	25,429,761
Council Tax Yield*	23,069,729	23,837,676	24,631,596
<b>Budget Shortfall (Cumulative)</b>	<b>546,131</b>	<b>823,601</b>	<b>798,165</b>

\*Assumes a rise in tax base and a 1.95% increase in Council Tax each year

- 2.30 There are two advantages associated with implementing a council tax increase in 2017/2018: firstly it adds funding permanently into the base budget and secondly it reduces the budget deficit by £441k in 2017/2018. However, this would still leave the Authority with budget savings of £546k to find in order to approve a balanced budget as required by law.
- 2.31 The decisions required to solve the budget deficits for 2017/2018 and the following two years will be beyond the scope of this Committee but will be a key issue for the Authority to consider over the forthcoming months and years.
- 2.32 Regardless of which council tax option the Fire Authority chooses to take in February the problem of a budget deficit will need to be solved. Given the time that it will take to plan and implement a solution (implementation may not be possible until the 2018/2019 financial year) Members may wish to consider using general reserves to support the budget deficit in 2017/2018.
- 2.33 Appendix B shows two graphs which illustrate what the impact on general reserves would be if the remaining budget deficit was not resolved by way of budgetary reductions during the three year period and general reserves were used to support the budget up to and including 2019/2020. A minimum level of reserves of £4.4m has been assumed as this is in line with the likely outcome of the risk assessment work currently being undertaken. The first graph represents what the position would be if there was to be a Council Tax freeze for the next three years and shows that surplus reserves would be exhausted before the end of 2019/2020 and would require the full budget reduction of £2.2m to be achieved in 2020/2021 with only a relatively small proportion of this able to be funded by increased Council Tax in that year. The second graph represents what the position would be if Council Tax were to be increased by 1.95% in each of the next three years and this shows a remaining level of reserves at the end of 2019/2020 of approximately £2m which would still be available to support the revenue budget beyond the three year period if required. It should be noted that the long term use of general reserves in this way is not advocated within the Medium Term Financial Strategy and a permanent reduction in the budget requirement will need to be resolved.

### **3. FINANCIAL IMPLICATIONS**

The financial implications are set out in full in the body of the report.

### **4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS**

There are no human resources or learning and development implications arising directly from this report, although the achievement of budgetary savings in future years will undoubtedly have an impact.

### **5. EQUALITIES IMPLICATIONS**

An Equality Impact Assessment (EIA) has not been undertaken because this report relates to a series of recommendations which will be consulted upon. It is anticipated that a full EIA will be carried out on the report that goes to the Fire Authority in February 2017.

### **6. CRIME AND DISORDER IMPLICATIONS**

There are no crime and disorder implications arising from this report.

### **7. LEGAL IMPLICATIONS**

The Authority must set a balanced budget for 2017/2018 but may acknowledge potential budget shortfalls for future years.

### **8. RISK MANAGEMENT IMPLICATIONS**

- 8.1 Risks associated with budget setting are always significant. Budgets are by their very nature estimates of future activity and these estimates can sometimes be incorrect. Changes involving contraction of activities may not be made on the envisaged timescales, public consultation may vary policy and external issues such as national pay awards may not align with the assumptions.
- 8.2 Council tax base figures used for this report are only estimates at present and the grant settlement details are only provisional. It is possible that both or either of these could change.
- 8.3 There can be no control over external issues however the Authority has sufficient reserves to cope with any in year changes which alter these budget assumptions significantly.

**9. RECOMMENDATIONS**

That Members consider the contents of this report and make appropriate recommendations to the Fire Authority.

**10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)**

None.

John Buckley  
**CHIEF FIRE OFFICER**

## SUSTAINABILITY PLAN 2016/17 TO 2019/20

**1. Introduction**

- 1.1 This Sustainability Plan sets out how Nottinghamshire Fire and Rescue Authority (the Authority) plans to reduce its cost base over the period from 2016/17 to 2019/20 in order to balance its revenue budget in the context of an expected reduction in external funding. This plan is designed to meet the Home Office requirement for Fire and Rescue Authorities to publish an Efficiency Plan in return for a four year funding settlement.
- 1.2 This Sustainability Plan is appended to the Medium Term Financial Strategy (MTFS) and should be read within the context of the strategy. In particular, this plan seeks to fulfil the core objective (see Section 1.1 of the MTFS) of “to support the continuance of the Authority’s core services and strategies”, and has been prepared in accordance with the principles set out in Section 1.2 of the MTFS.
- 1.3 The principal aim of the Authority is “Creating Safer Communities” and underpinning this aim are three principles, which are:
- to deliver high quality services,
  - with an engaged and motivated workforce,
  - within a framework of strong governance and financial stability.

The Authority will be creating and managing a programme of significant change, and will do so in line with its Shaping the Future Strategy with the aim of ensuring that the three principles outlined above underpin the delivery of objectives through to the year 2020. It is recognised that there are often significant barriers to change and the Authority aims to involve employees fully in the transformation process as a way of overcoming these barriers.

- 1.4 The amount by which the base revenue budget must reduce by 2019/20 is between £2.5m and £3.8m. This range is approximate and the cost reduction required could be more than £3.8m or less than £2.5m. The reason for this variation is that the calculation of the budget requirement in future years depends on a number of uncertain factors which will only crystallise into certainties as time progresses. Examples of these factors are:
- the level of pay awards over the four year period
  - wider economic factors such as inflation and interest rates
  - actuarial valuation of pension schemes and resulting employer contribution rates
  - government fiscal policies such as National Insurance rates or new levies

- the impact of reforms to funding such as business rates retention, potential fire grant, the fair funding review, referendum limits, other grants
- council taxbase levels
- decisions on council tax by those charged with governance

Currently almost half of the revenue budget is supported by external funding as opposed to by council tax, and around three quarters of the revenue budget relates to employee pay. This means that the budget is particularly sensitive to changes in any factors relating to pay, pensions or external funding. It is noted that savings in the region of £11m have already been achieved over the last six years.

## 2. Timetable

- 2.1 The reduction in budgets required of up to £3.8m by 2019/20 will need to be achieved through cashable savings. Where efficiencies can be found which do not release cashable savings, the non-cashable benefits will be used to resource other priority areas. The table below sets out the timescale for achieving savings in each of the four years:

	<u>By 1<sup>st</sup></u> <u>April</u> <u>2016</u>	<u>By 1<sup>st</sup></u> <u>April</u> <u>2017</u>	<u>By 1<sup>st</sup></u> <u>April</u> <u>2018</u>	<u>By 1<sup>st</sup></u> <u>April</u> <u>2019</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Amount of Budget Reduction Required <u>per year</u>	0.10*	1.99 to 2.43	0.45 to 0.92	0.01 to 0.50
Amount of Budget Reduction Required <u>cumulative</u>	0.10*	1.99 to 2.43	2.44 to 3.34	2.45 to 3.84

\* reduction not yet achieved

- 2.2 Consultation with employees, representative bodies and the public will be undertaken where appropriate, with the results feeding into the change programme.
- 2.3 Where planned savings cannot be achieved in line with the above timetable e.g. due to the requirement for consultation, then the Authority's general reserves can be used to support the budget temporarily in line with principle no. 14 in Section 1.2 of the MTFs. The minimum level of reserves required to be held was risk-assessed in February 2016 and the amount of available reserves which could be used to support the budget is therefore £3.5m as at 1<sup>st</sup> April 2016.

### **3 Areas for Change: Sustainability Strategy 2020**

#### **3.1 Seek collaborative opportunities to deliver cost savings and / or improved outcomes – Savings target: £850k**

3.1.1 Continue with existing collaborative arrangements and seek to increase the coverage of these where possible and practicable. Examples of existing collaboration arrangements are:

- The sharing of fire stations with the East Midlands Ambulance Service (EMAS). As at 1<sup>st</sup> April 2016 facilities at a number of fire stations were being used by EMAS employees and these arrangements are generating rental income.
- The sharing of premises with other partners e.g. the use of Fire Authority buildings by both the Police and St Johns Ambulance. These arrangements are also generating rental income.
- The First Responder scheme which supports EMAS is being undertaken by crews at two fire stations as at 1<sup>st</sup> April 2016 and is funded by EMAS. The Co-responding scheme has been in place for a number of years.
- The use of certain training facilities provided by regional fire and rescue services, which has avoided the need to build our own facilities.
- A finance and procurement system purchased and developed with two other fire and rescue services, which has achieved economies of scale.
- A mobilising system purchased and developed with two other fire and rescue services, which has achieved economies of scale, reduced staffing costs and has improved resilience.
- Certain aspects of fire investigation are carried out with regional resources, generating cost savings. The national Primary Key Authority concept for fire protection has generated efficiencies and this Authority carries out that role for Boots PLC.

3.1.2 Proactively seek new collaborative arrangements with Police, Health, other Fire and Local Authority partners, where these will achieve cost savings and / or improved outcomes

#### **3.2 Procurement – Savings target: £350k**

3.2.1 Continue to focus on effective procurement to drive down non-pay costs. This will involve the use of procurement frameworks for major purchases (a recent example of this is the Wide Area Network contract) and maintaining a strong governance framework which seeks to achieve best value through all procurement activity.

3.2.2 Continue to proactively seek collaborative procurement opportunities wherever possible to reduce costs. This will involve the exploration of opportunities by working with professional networks, and the use of benchmarking tools to identify innovative procurement initiatives.

3.3 Maximising the Benefit and Value of our Assets - Savings target: £150k

3.3.1 Continue to rationalise property assets with the aim of increasing collaboration, improving sustainability and reducing costs.

3.3.2 Develop a new fleet strategy with the aim of rationalising numbers of vehicles and ensuring that on-going fleet is fully utilised at a lower cost.

3.3.3 Continue to refurbish and reuse assets and equipment to extend their useful life where it is safe to do so, thereby reducing costs.

3.4 Redesign of Service Delivery - Savings target: £1,100k

3.4.1 Develop alternative crewing models and use of emerging technologies to maximise appliance availability.

3.4.2 Develop a mixed crewing model where feasible to maintain appliance availability and reduce costs.

3.4.3 Revision of current crewing collective agreement to release surplus capacity within the ridership.

3.4.4 Voluntary secondary contracts to support retained appliances at peak demand and to support the transformation process.

3.4.5 Focus on recruitment and retention of retained firefighters to maximise appliance availability.

**4 Transparency and Reporting**

4.1 Options will be presented to those charged with governance, for consideration and decision, taking account of consultation responses where appropriate.

4.2 Annual reports monitoring progress against this plan will be published within the Statement of Assurance.

4.3 Reports to those charged with governance, and minutes of meetings, will continue to be published so that interested parties can see how the Service is being transformed.

## **5 Conclusion**

- 5.1 The period ahead will be one of immense change, which will require significant effort from employees and input from a range of stakeholders in order to achieve the Service's core aims and objectives whilst managing within a smaller budget.
  
- 5.2 The expectation is that the resulting organisation in 2020 will still deliver high quality services which will continue to address the risks identified in the Integrated Risk Management Plan and meet the needs of the community. Working practices within the Service will be modern and efficient and the cost base will be reduced to a sustainable level.

