

Efficiency Plan 2017/2018 to 2019/2020

The following strategy sets out the Authority's proposed overarching approach to meeting the budget reductions challenge arising from the Spending Review 2015 and the subsequent government announcement on its 4 year funding offer up to 2019/20.

1 Purpose

- 1.1 The Efficiency Plan 2017/2018 to 2019/2020 sets out the overall approach to the delivery of the required savings to address the reductions in funding and spending pressures during this period.

2 Objectives of the Strategy

- 2.1 The strategy is intended to
- enable a balanced budget to be achieved throughout the period to 2019/20
 - ensure the best use of the resources available to the Authority
 - ensure the financial resilience and viability of the Authority is maintained
 - comply with any government statutory requirements or developments as appropriate
 - ensure the Efficiency Plan provides the necessary assurance to government so that the Authority can if it so wishes take up the 4 year settlement offer as required
 - comply with other government regulations and flexibilities where this is considered advantageous e.g. flexible use of capital receipts.
- 2.2 Tyne and Wear Fire and Rescue Authority is committed to delivering continual improvement providing services that are effective and efficient, deliver on the government's national framework requirements for the fire and rescue service and also represent excellent Value for Money to its communities and residents. Through planning and financial and performance management arrangements the Authority ensures that value for money is embedded into the culture of its activities.
- 2.3 The strategy reflects the Authority's statutory service requirements, its approach to risk and its arrangements for addressing its medium term financial planning, in light of the 2016/17 final settlement and the projected indicative figures for the next 3 years (2017/18 to 2019/20), which sees the continuation of the government's planned reduction in funding public services as part of the wider Spending Review 2015 published in December 2015.

3 The Financial Challenge - Medium Term Financial Plan

- 3.1 The revised MTFS is set out at Appendix 1 (section 2.9) which shows the budget requirements and the gap in resources through to 2019/20 as follows:

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Base Budget	49,806.29	51,627.26	53,234.62	54,978.11
Net Cost Pressures	1,820.98	1,607.36	1,743.49	2,072.23
Net Change to Base Budget	51,627.26	53,234.62	54,978.11	57,050.34
Efficiencies	0.00	0.00	0.00	0.00
IRMP Savings	0.00	0.00	0.00	0.00
Total Budget Requirement	51,627.26	53,234.62	54,978.11	57,050.34
Resources:				
Government Funding				
Top Up Grant	10,063.52	10,261.46	10,564.18	10,901.83
Revenue Support Grant	13,180.06	10,897.79	9,620.15	8,796.23
Section 31 Grant	171.80	0.00	0.00	0.00
Business Rates Share	4,285.47	4,048.25	4,088.73	4,129.62
SFA Adjustment	207.47	211.55	217.79	224.76
	27,908.32	25,419.05	24,490.85	24,052.43
Other Resources				
Council Tax (Precept) Income	20,960.09	21,169.69	21,381.38	21,595.20
Collection Fund - Council Tax Surplus	240.52	0.00	0.00	0.00
Collection Fund - Business Rates Deficit	(277.31)	0.00	0.00	0.00
	20,923.30	21,169.69	21,381.38	21,595.20
Total Income	48,831.62	46,588.73	45,872.24	45,647.63
Real Funding gap in year	2,795.64	3,850.25	2,459.98	2,296.84
Cumulative gap before use of reserves (if not addressed)	2,795.64	6,645.89	9,105.87	11,402.71
Total Resources	51,627.26	53,234.62	54,978.11	57,050.34

On-going savings of £11.4m are estimated to be required over the period to 2019/2020. This is in addition to the £16.8m savings already achieved in the period 2010/2011 to 2015/2016.

- 3.2 The Revenue Budget and Proposed Council Tax Precept 2016/2017 reported to Authority in February 2016, included a range of IRMP (2014/2017) proposals and approved a temporary £0.289m use of reserves to meet the potential funding Gap for 2016/2017. It was also reported that further savings extending into the next 3 years to 2019/20 will be achieved from the current IRMP (2014/17) actions some of which were still progressing (organisation and management review and greater collaboration initiatives). These actions are subject to continual review and verification to ensure they can still be delivered and where necessary checked to assess that the savings and their profiles still reflect the planned delivery timescales. Taking these actions into account and assuming a yearly council tax precept increase of 1.99%, the £11.4m will be reduced to £1.8m in 2019/2020.

- 3.3 In the short term there is the potential at this stage taking into account all budget efficiencies and all current IRMP projected savings that the £1.8m will be temporarily funded from reserves / balances until further initiatives to lower the revenue budget are identified, developed and approved.

4 The Approach to meeting the funding gap

- 4.1 To deliver the further reductions faced by the Authority over the medium term it is necessary to review all aspects of the service and consider possible new ways of operating / delivering services with the least impact upon its communities and its residents so that it still fulfils its statutory duties.
- 4.2 This will involve a continuation of the Authority's approach of seeking further budget efficiencies whilst developing and consulting upon new IRMP actions which combined will help deliver the further savings identified over the period to 2019/20 and which also builds in some flexibility should the current projections and position set out deteriorate further. These actions are seen as critical in meeting the identified budget gap set out in both the revised MTFS and Home Office Funding and Budget Template (Annex D) and which will ensure the Authority can deliver balanced budgets to 2019/20 and maintain the Authority's financial viability and sustainability.
- 4.3 Programme of service activity
- 4.3.1 Taking into account the strategic vision of the Authority's role and reflecting the reduction to budgets as appropriate, there will be a continued and iterative development of a programme of service activity to address the gap.

For all budget areas this includes consideration of:

- Ensuring resources are targeted on statutory and front line services and protecting key priority services.
- Redesigning and reshaping services where considered beneficial in order to deliver required outcomes that are the least cost and maximise productivity.
- Strategic commissioning where appropriate based on outcomes that result in lower costs.
- Ensuring commercial procurement arrangements and contract management deliver maximum outcomes for less resource including any partnership arrangements.
- Ensuring opportunities for collaboration with partners to deliver key outcomes.
- Ensuring all back office functions are continuously reviewed to achieve the most cost effective arrangements.
- Involving the Community – residents, businesses, partners, other blue light services to ensure best outcomes are achieved and services are delivered at the lowest possible cost but at the required national standards.
- Ensuring joint initiatives through the new Statement of Intent: Enhanced

Collaboration between Northumbria Police and Crime Commissioner and the Northumberland County Fire and Rescue Authority are delivered and achieve savings as a result.

- Any other developments / considerations as they arise, eg impact of devolution, public reforms etc.

4.4 Income maximisation

In addition to pursuing service related activity strategies as set out in section 4.3, focus will also be made on maximising income levels:

4.4.1 Retained Business Rates

Under the current Retained Business Rates mechanism for funding local Government, the Government makes assumptions about the level of Business Rates which will be achieved and retained by a Local Authority in determining its Settlement Funding Assessment. However each Council must determine for itself the anticipated level of Business Rate Income collection it will make each year.

Of the 50% retained Business Rates currently retained by each district council 2% is then passed over to the Fire Authority each year. The amount estimated for 2016/17 is £4.285m, although this figure reduces to £4.008m once losses on the collection fund are included.

This element of local resources will take on even greater significance in light of the government's proposed move to 100% retained business rates by 2020.

For information the Efficiency Plan / MTFS assumes more prudent growth in the Business rates base of an average of 1% per annum based on historical growth, and past trends based on income received from the Authority's five constituent councils within Tyne and Wear. The Business Rates collected and the volatility of the appeals position have both been taken into account in this assessment, which has had the effect of reducing the actual income received compared to that estimated by each of its constituent councils in each of the first three years of the business rates retention system. This means business rates income is lower than the baseline that the government uses each year to allocate RSG funding. So not only is the Authority receiving lower business rates income than estimated, it is also receiving lower RSG funding each year so far as the baseline used by the government is higher than the income being received. The Authority in reality has very little influence over business rates income and this should be more accurately reflected in government funding allocations.

4.4.2 Council Tax

Recent years have seen sustained growth in the council tax base as new houses have been built which has seen increased council tax precept income.

The Efficiency Plan assumes growth in the council tax base of 1% per annum based on historical experience of growth in the base and known development activity which will impact during the period of the MTFS.

The Local Government settlement for 2016/2017 and indicative data through to 2019/20 includes assumptions that councils will raise council tax annually in line with the level allowed without a local referendum (currently 1.99%). The Authority will consider and confirm annually the position regarding the Council Tax precept as part of each annual budget process.

4.4.3 Fees and Charges

A review of all fees and charges takes place on an annual basis to ensure that opportunities to maximise resources are followed through. For the Fire Authority however there is very limited scope for generating additional income from fees and charges which makes up a very low proportion of its income each year.

Opportunities for new charges or to increase charges will be reviewed as part of the annual budget planning process and these will be reflected within future budget plans where considered appropriate.

4.5 Capital Programme

4.5.1 The Authority's Capital Programme is based primarily on two key factors, the need to update and replace essential vehicles and equipment required to deliver an effective fire and rescue service; and to utilise capital resources to help deliver future years revenue budget savings (on an invest to save basis eg a modern replacement fire station with significantly reduced running costs and/or housing other blue light services) to minimise costs and maximise effectiveness.

4.5.2 The Capital Programme will be kept under regular review in light of delivery of savings plans and associated transformational costs arising. The programme may need to be revised to enable utilisation of capital receipts flexibilities or realignment of earmarked capital reserves to meet transformational costs, the position of which could change over the next 3 years. The Programme approved presently does not cover the 2019/20 financial year.

4.6 Other Options for Future Funding

The reduction in both revenue and capital funding requires the Authority to focus on new and existing opportunities for funding for example:

- Capital Funding - joint working (and funding) with partners, possible buy-out of PFI contracts, more invest to save schemes
- Trading opportunities
- Alternatives to revenue funding

This will be used as a checklist by the Authority to maximise opportunities for exploring further budget efficiencies. Some avenues have already been explored and implemented for example the formation of TWFRS Ltd. Other

opportunities will continue to be explored and proactively developed as part of improvement planning activity in order to enable the Authority to meet its on-going financial challenges.

4.7 Partnership / Collaboration / Joint working Activity

The Authority already has a strong track record of working with other public sector partners for example it has recently strengthened its links with Northumbria Police and Crime Commissioner by agreeing and putting in place arrangements for co-location at a number of its community fire stations to the mutual operational and financial benefit of both parties.

The Authority's recent sign up to a Statement of Intent: Enhanced Collaboration between Northumbria Police, The Police and Crime Commissioner and Northumberland Fire And Rescue Authority shows the ambition to forge greater and stronger partnership and joint working arrangements with other blue light services from within its immediate boundaries. This will further enhance the strong collaborative working that the Authority is already engaged with. For example:

- Sunderland City Council – Lead Authority - SLA provides services such as legal, HR, ICT and finance;
- Northumbria Police - Co-location at community fire stations;
- North East Ambulance Service – Co location and use of community fire stations;
- Northumberland Fire and Rescue Service – The Authority houses and provides backup Command and Control arrangements and has other operational joint arrangements in place via a public finance initiative;
- Collaborating in a joint tendering arrangement with all of the other North East FRA's to procure uniforms and personal protective equipment;
- SafetyWorks! – which receives support from a wide range of organisations including Northumbria Police, Northumbria Police and Crime Commissioner, Nexus, and Sainsburys to provide a multi-agency interactive safety centre serving the community of Tyne & Wear.

Opportunities for joint working and collaboration with other public sector / local authorities / blue light services to reduce costs will be considered where appropriate and in line with the Authority's already excellent track record in this area.

4.8 Devolution

In October 2015, the North East signed a proposed devolution deal with government designed to drive economic growth and bring jobs and investment to the North East.

The overall aim of a devolution agreement for the North East would be to secure the means by which we can build a stronger economy, generate more and better jobs and improve transport links and skills training throughout the

North East. The North East Combined Authority wants to ensure that everyone living and working in our area can take advantage of the new opportunities that will exist and can share in the area's increased prosperity.

In May 2016 the NE Leadership Board agreed, with the exception of Gateshead Borough Council, to endorse the proposed Devolution Agreement and to agree to the establishment of the North East Combined Authority (NECA) as a Mayoral Combined Authority.

The devolution agreement amongst other matters includes the proposal for an allocation of £30m per annum revenue funding for a period of 30 years which will primarily be allocated for the creation of the North East Combined Authority Investment Fund to support growth in the NECA area. Arrangements for this funding will be developed by the NECA and the implications specifically for Sunderland will be taken into consideration as part the council's budget setting process and medium term financial strategy.

Following the EU referendum decision, further clarification and reassurance is being sought from Government regarding the Devolution programme.

4.9 Reserves and Balances

Regular review of all commitments against reserves is undertaken. Reserves earmarked for specific purposes may be reprioritised in light of the delivery of the Efficiency Plan saving proposals with consideration given to the release of such reserves to support the overall budget position and transformational costs as necessary. A schedule of major reserves balances is set out in Annex B for information and at this stage in the planning process the gap of £1.8m will be drawn from reserves and balances as a last resort and will be made on the basis that funding from reserves represents a stop gap measure in order to balance the annual budget until permanent budget reductions are achieved.

4.10 General on-going actions

The following actions are embedded within the budget management responsibilities of accountable officers to ensure savings are maximised at all stages:

- Continuous review of costs and planned spend to minimise non-essential spend and maximise savings;
- Understanding that spending pressures are to be contained within existing service area budgets;
- Annual reviews / training for Budget Managers to ensure their roles and responsibilities are clearly understood.

5 Invest-to-Save proposals linked to delivery of savings plans

- 5.3 Some savings may require some initial up-front investment to enable revenue budget savings to be delivered in the longer term; examples include investment in technology to enable improved productivity and reduced cost, or

to improve fire stations to lower operating costs. Such Invest to Save proposals are considered on a case by case basis and subject to development of a business case with the investment recouped through savings generated over a period of time. The Capital Programme will only include proposals for 2017/2018 to 2019/20 that will identify where such investment is required to ensure future revenue savings can be achieved.

5.4 Use of Capital Receipts Flexibility to support transformational costs

- 5.4.1 As part of the 2016/2017 Settlement, the Government introduced new flexibilities allowing capital receipts generated in the years 2016/2017, 2017/2018 and 2018/2019 to be used to fund transformational costs incurred in those years.
- 5.4.2 One off transformational costs may arise through changes to working practices or where the workforce is being reduced in size in order to assist in delivering the on-going reduction proposals through to 2019/2020.
- 5.4.3 The Authority, however, has limited capital receipts at its disposal and as the government no longer provides separate annual capital funding, the Authority has made the decision out of necessity to earmark any possible proceeds of its limited surplus assets to help fund its future capital programme. The flexibilities offered by the government can be applied within the limited 3 year timeframe on offer. The position has been logged and the stance taken by the Authority will be regularly reviewed to ensure that it represents the best use of the resources available to it. If the circumstances of the Authority change then an application for these flexibilities will be reconsidered.

6 Governance and Monitoring arrangements

The strategy will continue to be robustly managed to ensure financial resilience and viability of services is maintained. Progress on the delivery of the IRMP and other Budget Efficiency savings will be closely monitored and reported upon as they are currently.

The Authority has robust arrangements already in place:

- All initiatives proposed for inclusion in the IRMP to deliver the savings required are subject to scrutiny at all stages during the budget process prior to final inclusion in the Plan. This ensures realistic likelihood of realisation, existence of baseline information, impact on outcomes, and assessment of risks;
- The IRMP has to be approved by the full Authority and the subsequent actions should undergo appropriate consultation with its key stakeholders and the communities it serves;
- Delivery of savings to be achieved from each initiative is transparent and sets out the likely timelines and the level of savings achieved at each stage which are fully reported and discussed by the full Authority;

- Performance monitoring arrangements include monitoring of delivery of savings and are embedded as part of the routine budget monitoring processes with exception reporting to Senior Management and to the full Authority;
- Reporting to Authority regularly on progress on delivery of annual savings is in place, with separate reports as appropriate including updates in financial reports as necessary.

