

**EAST SUSSEX FIRE AUTHORITY**

**Date** 8 September 2016

**Title of Report** 2017/18 Strategic Service Planning and Medium Term Financial Plan

**By** Chief Fire Officer and Treasurer

**Lead Officer** Warren Tricker, Finance Manager

**Background Papers** Office for Budget Responsibility: Economic and fiscal outlook, March 2016.  
 Capita Asset Services: Updated Interest Rate Forecasts, 4 July 2016.  
 Fire Authority 11 February 2016 – Item 905 – Service Planning Processes for 2016/17 and beyond

- Appendices**
1. Medium Term Financial Plan 2017/18 to 2021/22
  2. 2017/18 Council Tax Scenarios
  3. Draft Efficiency Plan 2016/17 – 2019/20

**Implications**

<b>CORPORATE RISK</b>		<b>LEGAL</b>	
<b>ENVIRONMENTAL</b>		<b>POLICY</b>	✓
<b>FINANCIAL</b>	✓	<b>POLITICAL</b>	✓
<b>HEALTH &amp; SAFETY</b>		<b>OTHER (please specify)</b>	
<b>HUMAN RESOURCES</b>		<b>CORE BRIEF</b>	
<b>EQUALITY IMPACT ASSESSMENT</b>			

**PURPOSE OF REPORT** To roll forward the Fire Authority’s Service Planning Strategy and Medium Term Financial Plan for 2017/18 to 2021/22.

**EXECUTIVE SUMMARY**

Whilst the main purpose of this report is to set the financial context for the service planning process, through an update of the Medium Term Finance Plan (MTFP), the fundamental aim of the review is to determine how best to deliver the Authority’s Purpose and Commitments, and the targets and priorities that underpin them, within the context of the current estimate of available financial resources for the period 2017/18 to 2021/22.

Closer alignment of business and resource (including finance) planning is necessary to ensure that the Authority can deliver its corporate strategy and Integrated Risk Management Plan (IRMP) outcomes more effectively. Work is underway to develop this approach for the 2017/18 planning cycle. This will include a budget review mechanism to challenge directorate and functional budgets and identify potential savings and pressures which will be led by the Deputy Chief Fire Officer and Assistant Director Resources / Treasurer. This will also ensure that the outcomes from the review of the IRMP can be built into future business and financial plans.

There remains uncertainty about the future of local government funding, despite the multi-year funding offer, as a result of political and economic changes over the last 6 months and the on-going review of business rates retention. Much of the detail that is required to set the budget for 2017/18 and our MTFP may not be available until January 2017. The situation beyond the current multi-year offer, 100% Business Rates Retention, the move to the Home Office, and the impact on fiscal policy post EU referendum, mean that the last two years of the MTFP in particular should only be regarded as indicative.

When the MTFP was last updated as part of the budget papers approved in February 2016 the Authority had identified savings of £3.3m over the period 2016/17 to 2018/19 acknowledging that there remained a funding gap of £0.2m in 2020/21. When taken together the revisions to both the expenditure and funding elements of the MTFP, assuming continued increases in council tax at just below current threshold levels, indicate the potential for a balanced budget in 2017/18, a small surplus in 2018/19 and 2019/20. That potential for surplus affords a small degree of flexibility and a broadly balanced position in 2020/21 and 2021/22. The flexibility in the middle years of the MTFP, along with the potential use of one-off funding from the Improvement & Efficiency Reserve, enable the Authority to consider the resource implications of the proposals set out elsewhere in the Agenda as part of the IRMP review, within the current financial planning cycle.

The Government has made an offer of a multi-year funding settlement to all local authorities. In order to access this offer the Authority must submit an efficiency plan in line with the guidance issued by the Home Office by 14 October 2016. The multi-year offer is not an absolute guarantee of funding but acceptance is recommended on the basis that it does provide greater certainty and aids future planning.

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## **RECOMMENDATIONS**

The Fire Authority is asked to:

- i) approve the updated Medium Term Financial Plan for 2017/18 – 2021/22 and its underlying assumptions;
  - ii) accept the Government's offer of a multi-year funding settlement 2016/17 – 2019/20;
  - iii) approve the draft Efficiency Plan 2016/17 – 2019/20 and delegate authority to the Chief Fire Officer in consultation with the Assistant Director Resources / Treasurer to finalise the Plan for submission to the Home Office by 14 October 2016; and
  - iv) delegate authority to the Assistant Director Resources / Treasurer, in consultation with the Chief Fire Officer, to determine whether the Fire Authority remains within, or withdraws from, the East Sussex Business Rate Pool
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## 1. **MEDIUM TERM SERVICE PLANNING**

- 1.1 Whilst the main purpose of this report is to set the financial context for the service planning process, through an update of the MTFP, the fundamental aim of the process is to determine how best to deliver the Authority's Purpose and Commitments, and the targets and priorities that underpin them, within the available resources. This process has become even more important in recent years in the light of the sustained reduction in public sector funding and the consequent need to deliver significant savings over the period of the MTFP. Members and officers will need to ensure that the service planning process, which is driven through our Purpose and Commitments and the Integrated Risk Management Plan (currently being reviewed) delivers sustainability in the medium term for both the revenue and capital budgets, and the Service as a whole. Further work is planned however to ensure that strategic planning and resource allocation processes (including financial planning / budget setting) are better aligned, ensuring that agreed policy priorities and key outcomes are properly resourced and can be delivered more effectively. This will include a budget review mechanism, which will be led by the Deputy Chief Fire Officer and the Assistant Director Resources / Treasurer to challenge directorate and functional budgets and identify potential savings and pressures. Proposed new pressures, savings and investments will be included in future reports for Member approval.

## 2. **NATIONAL CONTEXT**

- 2.1 On the 23 June 2016 the UK voted to leave the European Union. Since then there has been a change in leadership of the current Government and a subsequent cabinet reshuffle. The financial markets have settled but still the consensus is for a period of slower economic growth with a prolonged period of low bank base rates. The Office of Budget Responsibility (OBR) forecast is for GDP to grow by 2.0% this year compared to the 2.4% which was expected in November 2015. Further ahead, GDP is expected to grow by 2.2% next year down from 2.5% previously forecast and 2.1% in 2018, down from 2.4% predicted previously. Additionally it is generally felt that initially GDP will be lower still following the decision to leave the European Union.
- 2.2 The Government had previously committed to tackle and eliminate the national budget deficit, however the previous Chancellor of the Exchequer announced following the EU membership referendum a relaxation of this target. Following his replacement it is unknown what direction the fiscal and public spending policy will take.
- 2.3 At the 2016 Spending Review the Government offered a four year settlement on the submission of satisfactory efficiency plans. Subsequently the Home Office has issued guidance on its requirements for efficiency plans and set a deadline for submissions of 14 October 2016. At this stage it is not clear what impact political and economic changes since early 2016 will have on the multi-year funding offer. We anticipate further information as part of the Chancellor's Autumn Statement and subsequent confirmation of the multi-year funding offer as part for the local Government Finance Settlement in late December.
- 2.4 A draft efficiency plan is included at Appendix 3. It follows the guidance issued by the Home Office and includes the mandatory reporting of funding and budget assumptions

for 2016/17 – 2019/20 which Fire Authorities are required to submit even if they do not intend to accept the multi-year funding offer. Members should note that the layout required by the Home Office differs from that used in our existing MTFP. The multi-year offer is not an absolute guarantee of funding but acceptance is recommended on the basis that it does provide greater certainty and aids future planning. We have a number of queries outstanding with the Home Office on the completion of their template so these may be subject to further adjustment before submission. Members are also recommended to approved the draft Efficiency Plan 2016/17 – 2019/20 but delegate authority to finalise the Plan to the Chief Fire Officer in consultation with the Assistant Director Resources / Treasurer.

- 2.5 The Government has announced plans to change the way that local authorities are funded with 100% of the business rates generated in an area being retained locally. The Government has indicated that this will be implemented in full from 2020. Initial consultation on the proposals has been issued, but it is not yet clear how 100% business rates retention will impact on local authorities as a whole, the fire service in particular and the multi-year funding offer.

### 3. **LOCAL POSITION**

#### **Medium Term Finance Plan**

- 3.1 The rolled forward MTFP is included at Appendix 1. The MTFP was previously updated when the 2016/17 Budget was set in February 2016. At that stage there was forecast to be a balanced budget through to 2019/20 and a funding gap of £0.2m in 2020/21. Savings of £3.3m had been identified through the 'Changing the Service, Shaping our Future' programme and a range of other initiatives. Given that the Authority has already embarked on this phased programme to identify savings, and that there will continue to be a degree of uncertainty around funding until much later in 2016, the latest revisions for the MTFP have focussed on updating assumptions for 2017/18 and rolling forward the plan by a further year to 2021/22. The main issues considered are set out in the following paragraphs. The impact of the proposal that local government retain all Business Rates collected and continued reduction overall in public spending makes forecasting the position for the last two years of the rolled forward MTFP very difficult. For that reason the forecast within the MTFP for 2020/21 and 2021/22 should be regarded only as indicative at this stage.
- 3.2 In overall terms the assumptions set out below mean that the revised MTFP shows a balanced budget for 2017/18, small surpluses in 2018/19 - 2020/21 and a balanced position in 2021/22. This scenario obviously presents the Authority with some degree of flexibility over the short to medium term but it is important to highlight a number of key risks / issues:
- there remains a degree of uncertainty about the future of local government funding both in terms of the multi-year funding offer and business rates retention and on this basis modelling for 2020/21 and 2021/22 should only be regarded as indicative at this stage.
  
  - there is a modelling assumption of continued increases in Council Tax of 1.94% pa. Should the Authority determine to set a different level of increase then this will obviously impact on the funding available and the level of savings required

- the impact on council tax of 2016/17 changes to LCTRS are not yet clear as is the medium term trajectory of the tax base
- the MTFP assumes that all agreed savings are delivered and this includes those related to the SCC project and changes in operational crewing arrangements. Current budget monitoring recognises potential pressures in both these areas.
- A new IRMP for 2017/18 – 2019/20 is proposed for consultation elsewhere on this Agenda. It is likely that the proposals included in the IRMP will require additional investment on a one off and potentially ongoing basis
- increased scrutiny of efficiency and comparison of costs across the fire sector by the Home Office

### **Grant Funding**

- 3.3 Between 2010/11 and 2016/17 RSG has reduced by £7.2m or 49% and the rolled forward MTFP makes the underlying assumption of further reduction of £5.1m to £1.2m by 2021/22. The MTFP uses as its basis the grant figures set out in the multi-year funding offer on the assumption that the Authority will accept the offer as it provides some certainty for planning purposes.
- 3.4 The Authority currently receives a small number of on-going specific revenue grants from central Government for FireLink and New Dimensions. The Government has given an assurance that these will be protected for the next financial year and then assumed that they will reduce by 10% p.a. The replacement for FireLink will be deployed locally in 2018/19 and it is likely that the fire link grant will be phased out but with lower costs to the Authority. The MTFP assumes the Authority will be no worse off with ongoing costs. No provision is made for one off implementation costs or grant income, beyond the existing provision of £50,000 pa in 2016/17 – 2018/19.
- 3.5 For 2017/18 and beyond there has been no indication that capital grants will be available for fire & rescue services. There may be Home Office police transformation grant for collaborative opportunities and officers will explore the opportunity to bid against these funds should it arise.

### **Business Rates**

- 3.6 Current assumptions on retained Business Rates are based on information from the billing authorities. There is a BR revaluation in 2017 which could have a negative impact on BR income due to the increased level of provision that billing authorities will make against appeals. At this stage we have no information on the impact from billing authorities and so the BR base is assumed at this stage to remain static. The top up grant reflects the multi-year settlement. RPI assumptions remain unchanged, the latest projections from the OBR; 2.4% in 2017/18 and 3.2% thereafter whereas Capita Asset Services in their 4<sup>th</sup> July Interest Rate Update estimates taking account of the exit referendum result forecast 2.2% and 2.8%. The Business Rates RPI multiplier remains at 3.0% in the MTFP. Based on updates from the billing authorities and past performance a Collection Fund Business Rates deficit has been included for 2017/18 of £100,000.
- 3.7 In 2016 the Government announced a permanent extension of temporary rate reliefs for small businesses. We have assumed that payment of this grant will continue on

the same basis until 2019/20, increasing by the multiplier each year, and then be rolled into local business rates retention at the 2019/20 level.

- 3.8 For 2016/17 the East Sussex Business Rates Pool is budgeted to result in additional benefits for the Authority of £0.1m. Given the uncertainties over the 2017 revaluation, and proposals for 100% Business Rates retention, it is not clear at this stage whether the Pool will continue beyond 2016/17 and we have not assumed any income from it in the MTFP. It is possible that any final decision on membership of the Pool will need to be taken during the consultation period following the announcement of the draft Local Government Finance Settlement in December 2016. It is, therefore, recommended that authority to withdraw from the Pool is delegated to the Assistant Director Resources / Treasurer, in consultation with the Chief Fire Officer.

### **Council Tax**

- 3.9 The underlying assumption in the MTFP is that in Brighton & Hove the Council Tax base will increase by 1.0% in 2017/18 and 0.5% thereafter based on the Council's current forecasts. Projections provided by the districts and boroughs have historically been prudent and below 1% overall. However recent performance has consistently exceeded these projections, and although the picture is complicated due to changes in Local Council Tax Reduction Schemes (LCTRS) we are modelling a 1.5% increase in 2017/18 with increases of 0.75% for the remainder of the MTFP. When taken together this gives an overall increase in the Council tax base of 1.35% in 2017/18 and 0.67% thereafter (compared to 0.6% pa in the existing MTFP). These assumptions do not reflect any plans for further revisions to LCTRS. Based on updates from the billing authorities and past performance a Collection Fund Council Tax surplus has been included for 2017/18 of £150,000.
- 3.10 The MTFP assumes that the threshold for triggering a referendum on Council Tax increases will remain unchanged and so assumes Council Tax will be increased by 1.94% each year through the period to 2021/22. Any decision to pursue a Council Tax Strategy of less than the 1.94% p.a. would reduce available funding and mean that additional savings would need to be identified. Each 1% increase in Council Tax generates approximately £247,000 in additional income. Appendix 3 illustrates the impact of setting different levels of Council Tax in 2017/18.
- 3.11 A question on Council Tax will be included in the IRMP consultation document and this will seek the public's view on whether they believe the Service offers value for money and whether they would support a Council Tax increase in 2017/18 of up to 2%, over 2%, or no increase.

## Expenditure

- 3.11 Existing expenditure plans, based on the agreed 2016/17 Revenue Budget and MTFP have been rolled forward to financial year 2021/22 following initial consultation with budget managers and known commitments, and reflect the following assumptions and pressures:
- The level of pay award for the fire & rescue service will be determined nationally through the National Joint Council (NJC). The rolled forward MTFP has a net provision for pay inflation of 1.5% in 2017/18 and 2018/19 and 2% thereafter. The Government's intention is to cap public sector pay rises to an average of 1% over the next 3 years. Each 1% increase in pay is equivalent to £253,000.
  - The MTFP currently provides 2.5% p.a. for price inflation on goods and services which has been rolled forward to 2021/22. Each 1% increase in prices is equivalent to £79,000
  - Budget adjustments reflecting year-on-year changes in revenue funding to support current strategies for fleet, IMD and property.
  - Increases in employer's contributions of 1.0% p.a. for the Local Government Pension Scheme (LGPS). The next triennial revaluation of the LGPS is due for 2017/18 and based on recent experience the MTFP assumes increases of 1.0% p.a. will continue until 2021/22.
  - Provision in 2017/18 of £0.080m to reflect the introduction of the Apprenticeship Levy.
  - The extension by one year of the provision for continued support of legacy systems in Sussex Control and the introduction of support for staff costs in 2017/18 only.
  - Short term flexibility in the MTFP, where savings are achieved in advance of need, is utilised to address the reduction in Capital Grant funding by providing additional revenue contributions to fund capital expenditure in 2017/18 and 2018/19 at the levels agreed in February 2016.
- 3.12 In the March 2016 Budget the Government maintained its intention to keep public sector pensions "sustainable". It was estimated that unfunded public sector employer pension contributions will increase from 2019 by an estimated £2bn per annum. The Firefighters' Pension is an unfunded scheme and the impact is undefined although there are various commentators have suggested increases in employer's contributions of up to 5%. Whilst this is at odds with Hutton's cost cap principle which is about sharing pension cost between the employee and the taxpayer nevertheless the commitment has been introduced to the MTFP as a 2.0% increase in employer contributions from 2019/20 onward.
- 3.13 As part of the 2016/17 revenue budget officers investigated the opportunities to make charges and have quantified potential income that might be derived from a change in policy for the charging for special services incidents that have hitherto not been charged. Proposals were agreed to develop charging for large animal rescue (both in East Sussex and for work carried out on behalf of Kent & Medway FRA) and search and rescue activity carried out on behalf of Surrey and Sussex Police. Reviewing the situation has revealed low demand and no income targets are proposed at this stage for 2017/18.

3.14 The Authority has been reviewing its IRMP and elsewhere on this Agenda are proposals to consult on a new IRMP for 2017/18 – 2019/20. The potential financial implications of the proposals, both one off and on-going, have not yet been built into the MTFP. This process will be picked up over the coming months to ensure that the final budget proposals (including the Capital Asset Strategy / Use of Reserves) reflect the outcomes of the consultation process and the final IRMP. There are potential financial impacts resulting from:

- the impacts of housing and population growth in the short to medium term
- investment in demand management
- emergency medical response
- continued investment in protection activity including firefighter safety
- community safety initiatives including the further development of volunteering, Safe & Well visits and road safety
- workforce planning initiatives such as apprenticeships and improved firefighter recruitment

### **Savings Plans**

3.15 Since the 2010/11 the Authority has made, and has planned to make, savings totalling £8.488m of which £6.708m will have been delivered by the end of 2016/17. The expenditure plans also reflect the delivery of the savings agreed as part of the 2016/17 budget. The estimated savings starting from 2017/18 from the 'Changing the Service, Shaping our Future' programme and other initiatives are set out in table 1 below and include the savings from the Management Restructure.

**TABLE 1 – SUMMARY OF NEW SAVINGS BUILT INTO THE MTFP**

<b>CUMULATIVE SAVINGS</b>		<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
<b>Category</b>	<b>Description</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Facing the Challenge	ICS Review	(73)	(73)	(73)	(73)	(73)
Non operational	Various reductions in Health and Safety budget to reflect changes in working practices	(4)	(8)	(8)	(8)	(8)
Non operational	Development budget increases to reflect the need to develop staff following reduction in previous years	15	15	15	15	15
Non operational	Uniform – based on proposals to reduce operational posts	0	(44)	(44)	(44)	(44)
Non operational	Reduction in the contribution to the Capital Programme Reserve	(250)	(250)	(250)	(250)	(250)
Non operational	Reduce provision for pay increases from 2% to 1.5% from 2017/18 and 2018/19	(123)	(248)	(248)	(248)	(248)
Non operational	Various reductions in corporate budgets to reflect reduced actual spend	(14)	(14)	(14)	(14)	(14)
Phase 2 alternative	Riding at Standard	(560)	(840)	(840)	(840)	(840)
Additional	Senior Management Restructure	(254)	(283)	(318)	(313)	(318)
<b>Total cumulative savings</b>		<b>(1,263)</b>	<b>(1,745)</b>	<b>(1,775)</b>	<b>(1,780)</b>	<b>(1,780)</b>

- 3.16 Any failure to deliver these savings will require compensatory savings to be found elsewhere.
- 3.17 There are a number of existing projects that have the potential to deliver further savings and these are listed below. In addition there will be opportunities through the current corporate strategy review and the IRMP to reshape how our services are provided in the medium term.
- Service HQ relocation (awaiting finalisation of Heads of Terms)
  - Emergency Services Collaboration Programme – Integrated Transport Function
  - Support Services Review

## Reserves and Balances

- 3.18 Reserves and balances are held in accordance with the Authority's agreed policy, and table 2 below summarises their current values and planned use over the period. As agreed as part of the non-operational savings proposals, the base budget contribution to reserves will reduce from its current level of £0.75m to £0.50m in 2017/18. The planned use of reserves and balances will be reviewed as part of the service planning process in the light of the savings requirement, any changes to the Capital Strategy, the outcome of grant funding bids to Government, and the need to fund the costs of up-front investment to support the delivery of savings proposals. The level of reserves held is expected to reduce over the next 5 years and by 2021/22 will comprise primarily an unallocated risk provision (General Balance 29% of total reserves) and resources to fund the Capital Strategy without recourse to borrowing (68% of total reserves).

**TABLE 2 FORECAST OF USEABLE RESERVES BASED ON EXISTING PLANS**

	31/03/2016	31/03/2017	31/03/2018	31/03/2019	31/03/2020	31/03/2021
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Programme Reserve	4,631	5,381	5,881	6,381	6,881	7,264
Other Earmarked Reserves	5,359	2,959	1,344	318	318	318
Total Earmarked Reserves	9,990	8,340	7,225	6,699	7,199	7,582
General Fund	3,142	3,142	3,142	3,142	3,142	3,142
Capital Reserves	6,438	4,389	5,164	3,282	1,154	0
<b>Total Useable Reserves</b>	<b>19,570</b>	<b>15,871</b>	<b>15,531</b>	<b>13,123</b>	<b>11,495</b>	<b>10,724</b>

## Capital Strategy

- 3.19 As part of the Service Planning process the Capital Asset Strategy will be carried out drawing on new strategies for IMD, Fleet and Property, and seek to prioritise capital investment that most effectively supports the delivery of the Authority's new purpose and commitments. The review will include an assessment of the resources available to fund the Capital Asset Strategy against which projects will need to be prioritised. This will include any capital investment necessary to support the new IRMP, potential plans for the future of Preston Circus Fire Station and further investment in BA training facilities. The revenue implications of the current Capital Asset Strategy are included within the MTFP.

**MEDIUM TERM FINANCIAL PLAN 2017/18 – 2021/22  
INCREASE COUNCIL TAX BY 1.94% EACH YEAR**

	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000
<b>Gross Revenue Service Budget</b>	<b>37,115</b>	<b>36,797</b>	<b>37,619</b>	<b>38,524</b>	<b>39,360</b>
<b>Less</b>					
Specific grants	(215)	(193)	(174)	(157)	(141)
Other income	(1,409)	(1,446)	(1,482)	(1,519)	(1,557)
<b>Total income</b>	<b>(1,624)</b>	<b>(1,639)</b>	<b>(1,656)</b>	<b>(1,676)</b>	<b>(1,698)</b>
<b>Net Service Budget</b>	<b>35,491</b>	<b>35,158</b>	<b>35,963</b>	<b>36,848</b>	<b>37,662</b>
Capital financing costs less interest receivable	868	852	852	852	828
Capital expenditure from the Revenue Account	341	232	0	0	0
Transferred to Balances	622	500	500	500	500
<b>Total Net Expenditure</b>	<b>37,322</b>	<b>36,742</b>	<b>37,315</b>	<b>38,200</b>	<b>38,990</b>

<b>Net Budget brought forward</b>	<b>38,432</b>	<b>37,322</b>	<b>36,742</b>	<b>37,315</b>	<b>38,200</b>
Unavoidable cost pressures					
Pay inflation	485	473	473	480	490
Price inflation	224	224	216	222	230
<b>Total inflation</b>	<b>709</b>	<b>697</b>	<b>689</b>	<b>702</b>	<b>720</b>
Changes in Capital Financing	(2)	(16)	0	0	(24)
Budget commitments	(554)	(778)	(86)	187	94
Savings approved	(1,263)	(483)	(30)	(4)	0
<b>Total Net Expenditure</b>	<b>37,322</b>	<b>36,742</b>	<b>37,315</b>	<b>38,200</b>	<b>38,990</b>

<b>Sources of Funding</b>					
Locally Retained Business Rates	2,458	2,532	2,608		
Business Rate Top Up	4,862	5,005	5,165		
<b>Business Rates Baseline</b>	<b>7,320</b>	<b>7,537</b>	<b>7,773</b>		
Revenue Support Grant	4,524	3,660	3,157		
<b>Start Up Funding Assessment</b>	<b>11,844</b>	<b>11,197</b>	<b>10,930</b>	<b>10,930</b>	<b>10,930</b>
Section 31 Grant Business Rates adjustment	222	229	236	236	236
Council Tax Collection Fund (Deficit) / Surplus	150	0	0	0	0
Business Rates Collection Fund (Deficit) / Surplus	(100)	0	0	0	0
Transition Grant	122				
Council Tax Requirement	25,084	25,741	26,418	27,111	27,824
<b>Total Resources Available</b>	<b>37,322</b>	<b>37,167</b>	<b>37,584</b>	<b>38,277</b>	<b>38,990</b>
<b>Additional Savings Required / (surplus)</b>	<b>0</b>	<b>(425)</b>	<b>(269)</b>	<b>(77)</b>	<b>0</b>

Note: figures in red indicate a budget surplus; figures in black indicate additional savings required

## Appendix 2

### Council Tax 2017/18

The table below illustrates the impact of different scenarios for increases in Council Tax in 2017/18.

	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000
<b>Total Net Expenditure</b>	37,322	36,742	37,315	38,200	38,990
<b>Total Resources Available</b>					
Increase 1.94% (Band D increase £1.68)	37,322	37,167	37,584	38,277	38,990
2017/18 increase 1.5% (Band D increase £1.30) then 1.94%	37,214	37,059	37,472	38,161	38,871
2017/18 increase 1.0% (Band D increase £0.87) then 1.94%	37,092	36,933	37,342	38,031	38,737
2017/18 increase 0.0% (Band D increase nil) then 1.94%	36,845	36,679	37,081	37,762	38,460
<b>Additional Savings Required (Surplus)</b>					
Increase 1.94% (Band D increase £1.68)	0	(425)	(269)	(77)	0
2017/18 increase 1.5% (Band D increase £1.30) then 1.94%	108	(317)	(157)	39	119
2017/18 increase 1.0% (Band D increase £0.87) then 1.94%	230	(191)	(27)	169	253
2017/18 increase 0.0% (Band D increase nil) then 1.94%	477	63	234	438	530
<b>1% increase in CT in 2017/18 is worth</b>	<b>247</b>	<b>254</b>	<b>261</b>	<b>269</b>	<b>277</b>



# Draft Efficiency Plan

2016/17-2019/20

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## About the Plan

The Efficiency Plan sets out how East Sussex Fire Authority plans to improve the service it provides to the communities of East Sussex and Brighton & Hove, whilst managing with reducing real-terms funding levels. This document contains links to other relevant documents and websites and should be read in conjunction with those. The tables in the Efficiency Plan are in the format required by the Home Office and there are presentational differences to the Authority's own financial reports.

## Four Year Plan

The Authority's strategy for the provision of fire and rescue services in its area is driven by the approved Integrated Risk Management Plan (IRMP) 2014/15-2016/17. The IRMP has been developed in line with the Government's guidance which is set out in the Fire and Rescue National Framework for England.

The IRMP 2014/15-2016/17 can be viewed here:

<http://www.esfrs.org/about-us/community-risk-management/integrated-risk-management-planning/>

We are currently reviewing the Authority's IRMP and will be consulting the public and other stakeholders on our proposals for 2017/18 – 2019/20 over the autumn. To find out more and get involved visit our consultation webpage:

**Insert web link to IRMP consultation here**

The Authority's IRMP is focused on improving public safety, reducing the number of incidents and saving lives through a dynamic and holistic approach to risk analysis and assessment, whilst considering the changing needs of our communities.

The IRMP is supported by the Medium Term Financial Plan (MTFP), which sets out how the Authority will fund the Service. The MTFP is based on a number of financial assumptions, which are detailed within this Efficiency Plan.

## Funding Assumptions

The following table sets out the assumptions the Authority is making about its funding up to 2019-20. The Government has offered authorities a guaranteed four year funding settlement in order to provide increased certainty and to aid local planning. However, this only guarantees the minimum amount of revenue support grant (RSG) receivable. Business rates receivable are not guaranteed and are subject to volatility depending on factors such as the level of growth and appeals against valuations.

<b>Settlement Funding Assessment</b> <i>(All figures are £'000 unless stated)</i>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
Baseline Funding - Business Rates / Top Up	7290	7273	7320	7537	7773
RSG	7514	6196	4524	3660	3157
<b>Settlement Funding Assessment Total</b>	<b>14804</b>	<b>13469</b>	<b>11844</b>	<b>11197</b>	<b>10930</b>
Adjustment for Local Business Rate share (NNDR1) to DCLG Figure (Memo item – not included in total below)	244	168	75	78	76
<b>Council Tax Forecast</b>					
Band D Council Tax (£)	85.07	86.72	88.40	90.11	91.86
Actual / Assumed Council Tax base increase on previous year	423	648	327	169	173
Yearly Council Tax Precept Increase	864	1110	804	657	677
Collection Fund (council tax & business rates)	377	369	50	0	0
<b>Estimated Total Council Tax Income</b>	<b>23547</b>	<b>24649</b>	<b>25134</b>	<b>25741</b>	<b>26418</b>
Council Tax Band D Precept Increase (%)	1.94%	1.94%	1.94%	1.94%	1.94%
Growth in Council Tax Base Yield to Previous Year (%)	1.89%	2.80%	1.35%	0.67%	0.67%
<b>TOTAL</b>	<b>38351</b>	<b>38118</b>	<b>36978</b>	<b>36938</b>	<b>37348</b>

Source: MTFP Update September 2016; Revenue Budget 2016/17 and Capital Strategy 2016/17 – 2020/21; Revenue Budget and Capital Outturn 2015/16

The level of RSG the Authority receives will decrease by 58% or £4.357m between 2015-16 and 2019-20 and this continues to lead to an increased reliance on the money the Authority raises from local council taxpayers to support our activities. The Authority had frozen council tax between 2010-11 and 2013-14 but has had to increase the amount it charges to council taxpayers by 1.94% in each of the last 3 years in order ensure the Service can balance its budget and remain sustainable against the Authority’s IRMP over the medium term. The Authority currently expects to have to increase council tax by 1.94% in each remaining year of the Efficiency Plan.

### Budget Assumptions

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

<b>Employee Cost Pressures (£'000)</b> <i>(All figures are £'000 unless stated)</i>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
Pay Award	192	480	485	473	473
End of Contracting Out of Second State Pension		528			
LGPS Employer Pension Contributions	22	26	56	56	57
FF Employer Pension Contributions	-26	55	-54	-32	-13
Public sector pension pressure FPS					231
Other employee cost changes	-183	510	-232	-150	-145
<b>Total Employee Costs</b>	<b>29237</b>	<b>29732</b>	<b>28620</b>	<b>27983</b>	<b>28175</b>
<b>Cost Pressures (£'000)</b>					
Inflation	237	112	258	259	252
Additional Running Costs	664	-20	-324	-652	-216
<b>Total Non-Pay Bill Costs</b>	<b>12410</b>	<b>12225</b>	<b>11239</b>	<b>11112</b>	<b>11093</b>

<b>INCOME</b>					
<b>Section 31 Grants</b>					
Transition Grant	0	97	122	0	0
Fire Revenue Grant	211	213	215	193	174
NDR	276	217	222	229	236
<b>Other Service Income</b>					
Interest on Balances	75	75	75	75	75
Sussex Control Centre	991	1001	1026	1052	1078
Other	720	373	383	394	404
<b>Total Income</b>	<b>2273</b>	<b>1976</b>	<b>2043</b>	<b>1943</b>	<b>1967</b>
<b>Budget Requirement</b>	<b>39374</b>	<b>39980</b>	<b>38241</b>	<b>36997</b>	<b>37108</b>
<b>Financial Challenge Before Efficiencies</b>	<b>1023</b>	<b>1862</b>	<b>838</b>	<b>214</b>	<b>-47</b>

Source: MTFP Update September 2016; Revenue Budget 2016/17 and Capital Strategy 2016/17 – 2020/21; Revenue Budget and Capital Outturn 2015/16

There are a number of employee cost pressures that are outside of the Authority's control, primarily related to pay awards, pension valuations and legislative changes. These pressures increase the level of savings that the Authority is required to find between now and 2019-20. As part of the IRMP process the Authority has identified how it can change the services it delivers and the way it delivers them to respond to changing risks. Some of the IRMP proposals will require one off investment or lead to increased costs and we need to ensure that we can find the funding to achieve better outcomes for the public. This Efficiency Plan and our MTFP will need to be updated to reflect the financial implications of any proposals in our new IRMP when it is agreed by the Fire Authority. Through good financial management the Authority has already identified some funding to support this.

### Cashable and Non-Cashable Savings

The Authority has already identified and delivered a significant level of cashable savings (£4.846m between 2010/11 and 2015/16) to allow it to balance its budget over the medium term and allow continued investment in the service we provide to the local community. Most recently these savings have been the result of the Changing the Service, Shaping our Future programme. We also have a range projects underway, some of them with other local public sector partners, to identify further cashable savings and other efficiencies for example through sharing a headquarters with Sussex Police from April 2017 and

collaborating closely with other local emergency services across Surrey and Sussex on transport (including jointly managing and maintaining our vehicles). We are also reviewing all our other support services.

In order to meet the financial challenge detailed above a number of efficiency savings need to be found. The savings already achieved in 2015-16 and those planned for the current and future years are detailed in the table below.

<b>Efficiency Savings Assumptions</b> <i>(All figures are £'000 unless stated)</i>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
Changing the Service, Shaping our Future Savings	781	1005	73	0	0
Mobilisation Savings - Sussex Control Centre	158	0	0	0	0
Management restructure	0	0	254	29	30
Revenue contributions to reserves	0	250	250	0	0
Reduced provision for pay awards	0	118	123	125	0
Riding at Standard	0	280	560	280	0
Other non-operational savings	84	210	3	49	0
<b>Total</b>	<b>1023</b>	<b>1862</b>	<b>1263</b>	<b>483</b>	<b>30</b>

Source: MTFP Update September 2016; Revenue Budget 2016/17 and Capital Strategy 2016/17 – 2020/21; Revenue Budget and Capital Outturn 2015/16

Because of the scale of the financial challenge we continue to face we have had to make significant savings from both our operational and support services. In spite of this the Authority plans to retain the same number of fire stations but has made the difficult decision to reduce the number of appliances available to respond by one wholetime appliance and one retained duty system appliance bringing the total number of frontline firefighting appliances down to 33. We have been able to do this, without affecting our response and resilience performance, by making changes to the way we crew appliances at the same time as we continue to introduce new innovations in our prevention and protection work. We will be consulting on our response standards and the impact of significant housing growth across our communities as part of the IRMP this autumn.

Assuming all of the above savings can be achieved, the Authority will have a small amount of flexibility over the period of this plan to invest in new service developments that we expect will result from our IRMP review and should still be able to set a balanced budget each year. The risks and mitigation strategies in relation to the major efficiency savings required is shown in the table below.

Efficiency Savings Assumptions	Risks	Mitigation
Changing the Service, Shaping our Future Savings	Staff numbers not sufficient to meet prevention, protection and response requirements set by the Fire Authority.	Changes in crewing arrangements and improved focussing of resources on outcomes.
Management Restructure	Insufficient management capacity to deliver transformation projects and manage day to day business to deliver expected outcomes.	Clearer reporting lines and improved decision making linked to budgets. Use of reserves to fund one off capacity to support projects and programmes. Improved programme and project management
Revenue contributions to reserves	Level of reserve not sufficient to fund future capital programme and revenue budget risks.	Review of Capital Asset Strategy to better prioritised future investment. Sale of surplus capital assets to generate funding for capital programme. Review of general balances provision to ensure adequacy.
Reduced provision for pay awards	Reduced provision is insufficient to meet cost of pay award and incremental progression	Provision still at level to accommodate Government's average public sector pay cap.
Mobilisation Savings - Sussex Control Centre	Delay in implementation of single mobilising system places pressure on new staffing structure and causes cost pressures elsewhere in the budget e.g. legacy system support and project team	Funding for temporary additional staffing resource, legacy system support costs and maintenance of project team made available from reserves / one off funding through revenue budget.
Other non-operational savings	Insufficient revenue budget to meet demands	Improved budget monitoring to identify in year pressures and action agreed by Corporate Management Team.

## Capital Expenditure

As well as ensuring that the revenue budget is affordable over the medium term, the Authority also needs to plan to purchase new assets (e.g. buildings, vehicles, equipment) and make sure it has the money to pay for them. The planned capital programme is shown in the table below.

<b>Estimated Capital Expenditure</b> <i>(All figures are £'000 unless stated)</i>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
Capital Expenditure	3,241	4,566	2,185	2,545	2,559
<b>Capital Expenditure Financing</b>					
Capital Receipts	1,044	2,264	1,605	1,882	2,128
Reserves	123	750	0	0	0
Government grants & other contributions	682	618	0	0	0
Direct Revenue Contributions	1,097	495	341	232	0
Unsupported / Prudential Borrowing	0	0	0	0	0
Internally funded	295	439	239	431	431

Source: MTFP Update September 2016; Revenue Budget 2016/17 and Capital Strategy 2016/17 – 2020/21; Revenue Budget and Capital Outturn 2015/16

The Authority's Capital Asset Strategy sets out our planned investment in our property, IT and vehicles / equipment. 2015/16 saw the opening of Saxon House in Newhaven (see below under collaboration) at a cost of £3.6m. In 2016/17 we will be investing in the maintenance of our fire stations and the relocation of our HQ (see below under collaboration), the purchase of a new mobilising system (funded by central government grant) and our fleet including 3 new fire appliances. We will also be investing in firefighter safety through the purchase of new breathing apparatus (BA) and refurbishment of our BA training facilities.

## Collaboration

The Authority is committed to increasing collaboration with the Sussex Police and other local public sector partners.

We have established a joint control centre with West Sussex Fire & Rescue Service which will deliver savings and improved services when a new mobilising system is implemented.

We will be moving to a shared headquarters with Sussex Police during 2017 and we expect that this will enable us to collaborate further on operational and support services. It will also allow us to dispose of our current headquarters and generate a capital receipt.

We are working closely with local public sector partners to make best use of our existing buildings through the SPACES (Strategic Property Asset Collaboration in East Sussex) initiative and have recently opened Saxon House in Newhaven which includes a new fire station and accommodation for Sussex Police and Lewes District Council. This has allowed us to release the old fire station for sale to generate a capital receipt.

We have signed a memorandum of understanding with Surrey and Sussex Police to support their search and rescue activities.

We are working closely with Brighton & Hove and East Sussex Social Services and local Clinical Commissioning Groups to share data on the most vulnerable in our communities, to ensure we can focus our community safety activities where they will have the greatest impact.

We are expanding the scope our home safety visits to cover a wider range of prevention activities as part of the Safe & Well initiative. This includes a pilot funded by the NHS working with a local voluntary organisation, 3VA, and a contract with East Sussex Public Health to deliver child safety adaptations. As part of our IRMP review we will be consulting on proposals to support local health partners by using our firefighters to provide emergency medical response (EMR) in certain specific types of incidents.

We work closely with the Sussex Safer Roads Partnership and have recently seconded two of our operational staff into their teams to work closely with them on Road Safety initiatives. We are also jointly funding a project with Wealden District Council to use 'behavioural insights' to improve road safety messages with a view to reducing those killed and seriously injured in road traffic accidents.

We are part of the Emergency Services Collaboration Programme with Surrey and Sussex Police, Surrey and West Sussex Fire Services and South East Coast Ambulance (SECAMB). Our main focus is on work to deliver savings and other efficiencies through integrating our transport functions with the support of almost £6m of grant from central government. We have recently agreed a business case for joint fuel procurement and shared access to stored fuel at our fire stations.

We have worked hard with local councils to protect our income from council tax and business rates, for example through reviews of those claiming discounts for single persons and empty homes. We have also been part of the East Sussex Business Rates Pool which has ensured that more growth in business rates income is retained locally. We are using the additional income we receive to support initiatives to improve business safety through engagement with the local business community.

We are working with local social housing providers to deliver the installation of sprinkler systems in high rise / high risk premises and have provided match funding to pump prime this initiative in Brighton, Eastbourne and Hastings.

We collaborate extensively on procurement to ensure we get the best value for money we can. As well as the joint fuel procurement mentioned above we are collaborating with other fire services to procure a new contract for the protective equipment and clothing our firefighters wear. We will be reviewing the data on how much different fire services spend on common purchases, recently published by the Home Office, to identify ways we can make further savings without compromising firefighter safety.

We are working with Sussex Police to see how we can expand and develop our Volunteer Scheme across both services. As well as supporting our community safety initiatives our volunteers have worked with partners in Wealden to deliver flood protection advice and with Sussex Police and parish councils to carry out speed watch checks.

## **Flexible Working**

Twelve of the Authority's twenty four fire stations are staffed by on call firefighters (also known as retained duty system or RDS) with a further six day crewed stations supported by on call firefighters. They remain a key part of the Authority's prevention, protection and response service, particularly in the rural parts of our community. They also provide essential resilience across the whole of our area. Planned changes to the way we manage our on call firefighters will allow us greater flexibility to combine crews in periods where we receive high numbers of call, further improving resilience. We are also considering other ways in which on call firefighters could contribute to improving our service, for example by providing emergency medical response in rural areas.

## **Performance Information**

The Authority commits to publication of transparent performance information. This includes but is not limited to:

- Budget monitoring reports (revenue, capital and treasury)
- Quarterly performance, project and risk monitoring
- Statement of Accounts
- Annual Governance Statement
- Statement of Assurance
- Information required by the prevailing Local Government Transparency Code

This information can be found on our website at:

<http://www.esfrs.org/about-us/freedom-of-information/data-transparency/>

<http://www.esfrs.org/about-us/financial-information/>

<http://www.esfrs.org/about-us/east-sussex-fire-authority/>

## Use of Reserves

Reserves are an essential part of good financial management. They allow authorities to manage unpredictable financial pressures and plan for their future spending. The level, purpose and planned use of reserves are important factors for Members to consider in developing medium-term financial plans (MTFP) and setting annual budgets. Reserves are held for three main purposes:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves
- a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves
- a means of building up funds (often referred to as earmarked reserves) to meet known or predicted requirements

Within the existing statutory and regulatory framework, it is the responsibility of the Treasurer to advise the Authority about the level of reserves that it should hold and to ensure that there are clear protocols for their establishment and use.

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

<b>Estimated Financial Reserves Levels</b> <i>(All figures are £'000 unless stated)</i>	<b>31/03/2015</b>	<b>31/03/2016</b>	<b>31/03/2017</b>	<b>31/03/2018</b>	<b>31/03/2019</b>	<b>31/03/2020</b>
General Fund Balance	3753	3142	3142	3142	3142	3142
Earmarked General Fund Reserves	8809	9990	8341	7104	6699	7199
Expected Use of Earmarked Reserves			1650	1237	405	-500

Source: MTFP Update September 2016; Revenue Budget 2016/17 and Capital Strategy 2016/17 – 2020/21; Revenue Budget and Capital Outturn 2015/16

The Authority's Earmarked General Fund Reserves are used for two main purposes:

- to finance the Capital Asset Strategy without the need to borrow (and incur associated costs such as interest)
- to fund specific projects or initiatives that often run over more than one financial year including funds set aside for sprinkler installation and business safety initiatives (see above under collaboration)

We also hold capital reserves which comprise income from the sale of surplus buildings or equipment (capital receipts) and grants or contributions from partners toward specific capital projects. Capital reserves can only be used to fund our Capital Asset Strategy.

## **Progress of the Efficiency Plan**

The Authority commits to publishing an annual report on the progress of the Efficiency Plan. This will be published alongside our annual Statement of Assurance on our website.