

# ESSEX FIRE AUTHORITY

## Essex County Fire & Rescue Service



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MEETING

AGENDA ITEM

**Essex Fire Authority**

**10**

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MEETING DATE

7 September 2016

REPORT NUMBER

**EFA/102/16**

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SUBJECT

**Efficiency Plan and 2020 Programme**

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REPORT BY

The Acting Chief Fire Officer

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PRESENTED BY

The Finance Director & Treasurer, Mike Clayton

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### **SUMMARY**

This paper provides the overall plan for delivering change within the Authority for the period until March 2020. It includes the Authority's Efficiency Plan, required by the government if we want certainty in government funding, and the overall outline of the 2020 programme.

### **RECOMMENDATIONS**

1. Approve the efficiency plan and the 2020 Programme plan described in this report;
2. Accept the Government's offer of a four year finance settlement and delegate authority to the Treasurer to submit the plan to the Government;
3. Note that progress in delivery of the plan will be published annually;
4. Approve the appointment of the Chairman, Vice-Chairman and Group Spokespersons to represent the Authority on the 2020 Programme Advisory Board;

### **EFFICIENCY PLAN**

The government has offered fire and rescue authorities a four year funding settlement for the period 2016/17 to 2019/20. The offer is conditional on formal acceptance by the Authority and the submission of robust efficiency plans. A letter from the Minister for Policing, Fire, Criminal Justice and Victims on 24 May 2016 set out the conditions of the multi-year settlement offer. These are:

The Home Office will offer any Fire and Rescue Authority a four-year funding settlement to 2019-20, in return for a robust, transparent and locally owned efficiency plan.

Each efficiency plan should:-

- be published and easily accessible to the public on the fire and rescue authority's website, clearly stating what it contains;
- include the full 4 year period to 2019-20, and be open and transparent about the benefits the plan will bring to both the fire and rescue authority and the local community;
- demonstrate the level of cashable and non-cashable savings you expect to achieve through the Spending Review period, the timetable for delivery, and key risks and mitigation strategies;
- include the approach to increasing collaboration, including with the police and local public sector partners and in relation to procurement;
- demonstrate how more flexible working practices will be achieved, including more effective utilisation of retained firefighters;
- include a commitment to the publication of transparent performance information;
- include a clear strategy for the use of reserves; and
- include a commitment to publishing annual reports on the progress of the efficiency plan alongside the fire and rescue authority's statutory assurance statement, enabling local people to scrutinise progress.

The Government is making a clear commitment to provide minimum allocations for each year of the Spending Review period, should authorities choose to accept this offer.

Appendix 1 to this paper sets out the formal efficiency plan that meets the criteria set out above. In addition to the areas covered in the efficiency plan Members will be aware of the wider change programme that is consolidated under the 2020 Programme.

## **2020 PROGRAMME**

The Authority approved the inception of the 2020 Programme in April 2015. There were four aims of the programme:

1. The development of the Authority's Integrated Risk Management Plan to include a new response model based on informed response standards;
2. The establishment of an engagement strategy to include formal consultation requirements as well as an effective stakeholder communication strategy;
3. To establish a number of options for change, for presentation and approval of the EFA; and
4. The development of a Service Strategy for the period 2016 to 2020 to include the options for organisational redesign approved by Essex Fire Authority.

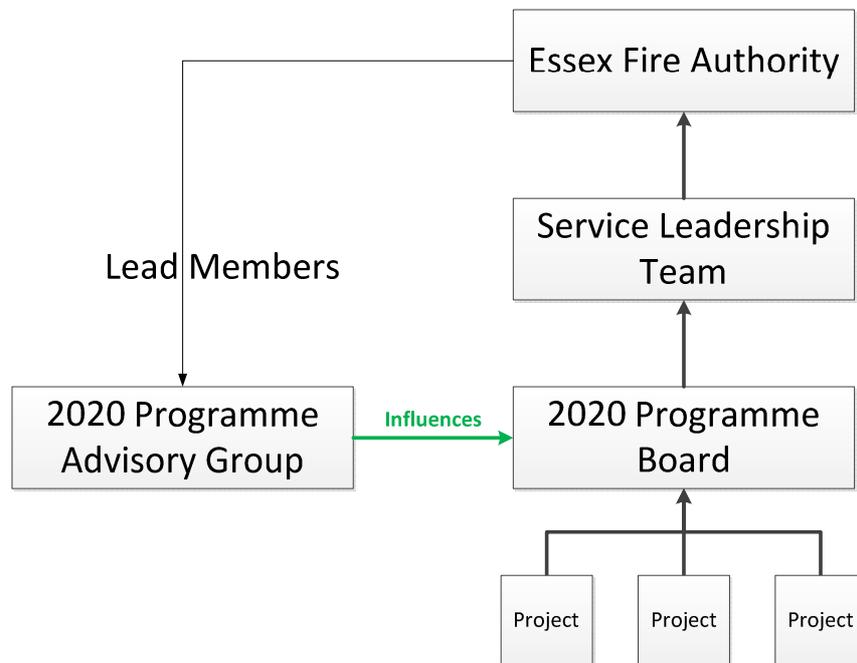
Significant progress has been made in delivery against these aims and in June 2016 the Authority approved the Integrated Risk Management Plan. In addition a programme of Service changes was also agreed following significant levels of engagement with all key stakeholders and a very large response to the public consultation on the proposed options for change. The Service Strategy for the period 2016 to 2020 has been submitted as a separate paper to this meeting.

What remains is the delivery phase of the programme. This includes the activities to change the culture of the fire and rescue service that address the recommendations in the Lucas Review and continues beyond those specific areas to develop a Service with values and behaviours that reflect the expectations of all stakeholders. In addition there are the implementation plans for the specific service changes agreed by the Authority, and the wider range of change activity needed to meet changes in technology and support collaboration across the blue light sector. This includes the potential for governance changes for the Fire and Rescue Service.

The Essex Fire Authority Strategy for 2016-2020 sets out the direction and priorities for the Service. The plan of activities is included as Appendix 2.

## 2020 PROGRAMME GOVERNANCE

The management of the delivery of the 2020 Programme rests with Officers. To support this a Programme Advisory Board has been established with representatives from the Authority (Lead Members) and all representative bodies. The Advisory Board will meet immediately prior to the Programme Board so that the views of all stakeholders are known as programme decisions are taken. The structure is illustrated below:



## 2020 PROGRAMME ACTIVITIES

The activities within the 2020 Programme have been grouped under the key themes of the Service Strategy. These are:

- People and Leadership;
- Prevention;
- Protection;
- Response; and
- Public Value and Collaboration

The key enabling activities for the 2020 Programme are within the **People and Leadership** theme. These include:

- Dispute resolution agreement with the Fire Brigades Union and new agreements for Additional Shift Working and Mixed Crewing;
- The delivery of the second phase of the management review and the implementation of rank to role for firefighters; and
- The continuation of the activities to support staff engagement, including the involvement of representative bodies in programme guidance; and
- The modelling of behaviours and values by the Service Leadership Team and managers to help ensure they become embedded within the Service.

The approach to **Prevention & Protection** will focus the activities around the five key areas agreed by the Authority in October 2015. These are:

- Delivery of safety messages to every school child in Essex;
- Ensure there is a working smoke alarm in 100% of households;
- Working with partner agencies in meeting the social needs of the vulnerable members of our communities;
- Supporting the installation of systems such as sprinklers for the protection of buildings and occupants; and
- Working with drivers and riders to reduce the number of people killed or injured on the roads.

The work plans will include the regular measurement of key targets (such as smoke alarm ownership), and the development of existing delivery activities including firebreak and the schools educational programme. Work to understand the extent to which station based personnel can deliver community safety initiatives is a key enabler for this part of the programme.

The main impact for **Response** activities is the removal of three wholetime fire engines and two On-Call fire engines from operational service, changes to the crewing system for six fire engines with the transfer to crewing by On-Call firefighters from either wholetime or Day-crewed. The other response changes will include the introduction of a new off-road capability with secondary special appliances replacing the dual capability Pinzgauer vehicles. Other specialist capabilities will also be relocated as a result of the Service changes

The final area of activity will be focussed around **Collaboration** and the needed to deliver better **Public Value** in our activities. Although much of the initial focus for this will be on a collaborative programme with the Police, the existing trial of co-responding with the Ambulance Service will continue until February 2017. Other wider community engagement with local authority partners will also continue including the Safer Essex Roads Partnership.

## **FINANCIAL AND USE OF RESOURCES IMPLICATIONS**

The attached efficiency plan includes the key financial assumptions and projections for the period until 2019/20.

## **RISK MANAGEMENT IMPLICATIONS**

The Authority has a choice between certainty over a reduced level of government funding, or risking having either higher or lower settlement figures in future years. A number of factors suggest that it is significantly more likely that the government funding would be lower in future years, compared to the certainty on offer. This is largely because of the Brexit vote in June 2016 that has caused forecasters to predict a slowdown in the economy and the need for tighter fiscal restraint by the government. Nationally it is clear that Authorities are opting for the certainty over their funding.

The risks associated with the delivery of the 2020 Programme, and with it the delivery of the Efficiency Plan will be managed as part of the programmes management. There are a number of key risks to the level of change, in particular the Authority's ability to recruit and retain sufficient On-Call firefighters to meet the overall response standard. This key risk is mitigated by the retained duty system project which is developing new approaches to recruitment, employer liaison, training and availability for On-Call firefighters.

The other key risk is lack of employee engagement. The arrangements already established for the 2020 programme in its definition phase included regular meetings with all representative bodies. This engagement will continue. In addition, local business change managers for the areas affected will be responsible for managing employee engagement at the local level to ensure that this risk is mitigated.

## **LEGAL IMPLICATIONS**

The Service changes outlined in the efficiency plan were agreed by the Authority in June 2016 following extensive public consultation. The offer by the government of a four year financial settlement for the Authority is a non-statutory proposal.

## **EQUALITY IMPLICATIONS**

The Service changes agreed by the Authority will mean a significant number of On-Call firefighters will be recruited over the next few years. The Service recognises that this provides an opportunity to ensure that the new recruits are representative of the communities they will serve. To support this there will be pre-application development provided to support under-represented groups in meeting the fitness and academic standards required. In addition the proposed changes to the availability bandings for On-Call firefighters are designed to make the roles more suitable to a wider range of potential applicants.

<b>LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985</b>	
<b>Appendix 1 – Efficiency Plan 2016-2020</b>	
<b>List of background documents - None</b>	
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## **EFFICIENCY PLAN 2016 - 2020**

The Essex Fire Authority initiated a programme of change (Programme 2020) in April 2015 to ensure that the Service was:

- ✓ *Service Led,*
- ✓ *Community Focused,*
- ✓ *Values Driven* (which has developed to 'Kind Culture' in consultation with staff)
- ✓ *Financially Sustainable.*

During the definition phase of the programme the Authority undertook two major public consultations, firstly on the response standards for the Service and the balance between prevention and response activities and secondly on the options for Service changes in the period 2016 to 2020.

After considering the fact that the majority of respondents supported the proposed standards in the first consultation the Authority adopted two key response standards for first attendance at an incident. These are:

- To get our first attendance to an incident which is potentially life-threatening within an average of 10 minutes from the time we receive a call; and
- To get our first attendance to an incident within 15 minutes on 90% of occasions from the time we receive a call.

It also agreed the following targets for its prevention and protection activities:

- Delivery of safety messages to every school child in Essex;
- Ensure there is a working smoke alarm in 100% of households;
- Working with partner agencies in meeting the social needs of the vulnerable members of our communities;
- Supporting the installation of systems such as sprinklers for the protection of buildings and occupants; and
- Working with drivers and riders to reduce the number of people killed or injured on the roads.

The commitments to response standards and the continued focus and investment of resources in prevention activities with clear and measurable targets for the Authority will ensure that the Authority's vision of a safer Essex are realised during the plan period.

## **SERVICE CHANGE PROPOSALS**

A second consultation in 2016 sought the views of stakeholders on a range of options for Service changes to reduce the number of fire engines and to convert the crewing of fire engines to the On-Call (retained) duty system. The consultation had over 17,000 responses with a clear majority supporting the option that the Fire Authority approved in June 2016. In summary the key changes are:

- **End September 2016** – Removal of second fire engines from operational service at Corringham, Orsett, Rayleigh Weir and Loughton fire stations. Commence the change to the crewing system for the first fire engine at Great Dunmow from Day Crew to On-Call;
- **End September 2017** - Removal of Pinzgauer fire engines and introduction of replacement off-road capability;
- **End December 2017** – Removal of second fire engine from Frinton fire station,

- **End December 2017** – Transition to On-Call from wholetime for the second fire engine at Clacton fire station.
- **End March 2020** - Transition to On-Call at Dovercourt, South Woodham Ferrers, Great Baddow and Waltham Abbey fire stations;

The Service change proposals will enable the Authority to meet the Attendance standards set in 2015 and will support the release of additional resources to deliver against the community safety targets. This will include broadening the role of station and watch based firefighters to ensure that the key focus on prevention activity extends across the Service.

The Service changes will reduce the numbers of wholetime firefighters and increase the number of appliances crewed by On-Call firefighters. Progress will be dependent on the ability to recruit and retain On-Call firefighters and the opportunity to use the recruitment process to address the under representation of women and black ethnic minorities in the workforce will be fully exploited.

The phased nature of the changes will be monitored through bi-annual public reports to the Authority. Key indicators of progress will be published on the Authority's website.

### **OTHER SAVINGS PROPOSALS**

The reductions in the numbers of fire engines and the change to the crewing of some fire engines will generate a net £6.4m of savings by 2020. In addition savings of £2m have been identified from the following areas:

- Management Review (Service Leadership changes in 2016 and Middle Managers from 2017) £0.9m (£0.5m achieved to date);
- Collaboration and Integration with Essex Police from 2017 onwards £0.5m;
- Reduction in the use of temporary staff £0.3m; and
- Reduced consultancy and external support £0.3m.

### **COUNCIL TAX**

The public consultation on the proposed Service changes included a range of change options with differing assumptions about the future growth in the rate of Council Tax. The consultations response was clear with almost three quarters of respondents supporting the option with the smallest degree of change and the highest proposed increases in Council Tax. The assumption is that Council Tax will increase by around 2% per annum during the forecast period. The Authority had previously agreed a freeze in the rate of Council Tax from 2010.

The impact of this on the expected rate of Council Tax is shown in the table below:

<b>2020 Projections</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Rate	£66.42	£67.68	£69.03	£70.38	£71.73

In addition to the increases in the rate of Council Tax the Authority is projecting an annual increase in the tax base averaging 1.5% through the growth in housing and improvements in the collection rate from the joint approach adopted across Essex billing authorities.

### **THE FINANCIAL PROJECTIONS**

The forward forecast Authority's income and expenditure is shown below:

(i) Funding Assumptions	2015-16	2016-17	2017-18	2018-19	2019-20
	£'000	£'000	£'000	£'000	£'000
<b>Settlement Funding Assessment</b>					
Baseline Funding - Business Rates / Top Up	14,993	14,970	15,415	15,870	16,377
RSG	16,303	14,230	11,030	9,350	8,340
<b>Settlement Funding Assessment Total</b>	<b>31,296</b>	<b>29,200</b>	<b>26,445</b>	<b>25,220</b>	<b>24,717</b>
Adjustment for Local Business Rate share (NNDR1) to DCLG Figure					
<b>Council Tax Forecast</b>					
Band D Council Tax (£)	38,954	39,758	41,224	42,637	44,099
Actual / Assumed Council Tax base increase on previous year (£)	804	699	618	640	662
Yearly Council Tax Precept Increase (£)	0	767	795	822	850
Collection Fund (council tax & business rates) (£)	773	880			
<b>Estimated Total Council Tax Income</b>	<b>40,531</b>	<b>42,104</b>	<b>42,637</b>	<b>44,099</b>	<b>45,611</b>
Council Tax Band D Precept Increase (%)	0	0	0	0	0
Growth in Council Tax Base Yield to Previous Year (%)	0	0	0	0	0
<b>TOTAL</b>	<b>71,827</b>	<b>71,304</b>	<b>69,082</b>	<b>69,319</b>	<b>70,328</b>
<b>(ii) Budget Assumptions</b>					
	2015-16	2016-17	2017-18	2018-19	2019-20
	£'000	£'000	£'000	£'000	£'000
<b>Employee Cost Pressures (£'000)</b>					
Base Employment costs Budget	50,811	50,190	50,190	50,190	50,190
Pay Award			715	1,430	2,145
Apprenticeship levy			300	300	300
Normalise Reserves		303	303	303	303
Reorganisation costs - Pay		3,100			
<b>Total Employee Costs</b>	<b>50,811</b>	<b>53,593</b>	<b>51,508</b>	<b>52,223</b>	<b>52,938</b>
<b>Cost Pressures (£'000)</b>					
Base Non Pay Bill Costs	25,440	25,036	25,036	25,036	25,036
<b>Total Non Pay Bill Costs</b>	<b>25,440</b>	<b>25,036</b>	<b>25,036</b>	<b>25,036</b>	<b>25,036</b>
<b>Revenue Expenditure Funded from Capital Receipts</b>					
<b>INCOME</b>					
<b>Section 31 Grants</b>					
Base Line Income	-2,053	-1,985	-1,985	-1,985	-1,985
<b>Other Service Income</b>					
Base other Income					
Includes County Emergency Planning collaboration, secondments, Community Safety work, Ariel site commission, section 13/16	-2,371	-1,937	-1,937	-1,937	-1,937
<b>Total Income</b>	<b>-4,424</b>	<b>-3,922</b>	<b>-3,922</b>	<b>-3,922</b>	<b>-3,922</b>
<b>Budget Requirement</b>	<b>71,827</b>	<b>74,707</b>	<b>72,622</b>	<b>73,337</b>	<b>74,052</b>
<b>Financial Challenge Before Efficiencies</b>	<b>0</b>	<b>-3,403</b>	<b>-3,540</b>	<b>-4,018</b>	<b>-3,724</b>
<b>(iii) Efficiency Savings Assumptions (£'000)</b>					
	2015-16	2016-17	2017-18	2018-19	2019-20
	£'000	£'000	£'000	£'000	£'000
Savings from pay bill relating to operational response		903	1,838	1,645	1,902
Savings in Support Costs		540	1,370	1,750	2,060
<b>Total</b>		<b>1,443</b>	<b>3,208</b>	<b>3,395</b>	<b>3,962</b>
<b>Forecast Net Position (surplus / deficit) after efficiency savings</b>	<b>0</b>	<b>-1,960</b>	<b>-331</b>	<b>-623</b>	<b>238</b>
<b>(iv) Capital</b>					
	2015-16	2016-17	2017-18	2018-19	2019-20
	£'000	£'000	£'000	£'000	£'000
<b>Estimated Capital Expenditure (£'000)</b>					
Capital Expenditure	9,709	7,823	4,465	5,663	4,412
<b>Capital Expenditure Financing</b>					
Capital Receipts		8,426			
Reserves					
Government grants & other contributions					
Direct Revenue Contributions	9,709	7,823	4,465	5,663	4,412
Unsupported / Prudential Borrowing					

(v) Estimated Financial Reserves Levels (£'000)	2015-16	2016-17	2017-18	2018-19	2019-20
	£'000	£'000	£'000	£'000	£'000
General Fund Balance	6,859	6,859	6,859	6,859	6,859
Earmarked General Fund Reserves	5,354	8,426	6,466	6,135	5,512
Expected Use of Earmarked Reserves		-1,960	-331	-623	
	12,213	13,325	12,994	12,371	12,371

## THE USE OF RESERVES

The Authority's ability to reduce costs through the changes to the crewing system for fire engines from wholetime firefighter to On-Call firefighters is largely determined by the speed at which new staff can be recruited, trained and developed to become competent firefighters. The Authority has experience of such conversions in recent years and the planned timetable is a realistic one based on this experience. After completion of their initial training firefighters need time to develop to become competent and new policies and agreements around mixed crewing by both wholetime and On-Call firefighters will support this process.

Reserves will be used to balance the budget. The key requirements are:

- 2016/17 – Use of reserves to support the one-off costs of early exit options to reduce wholetime firefighter numbers;
- 2017/18 – Use of reserves to balance budget before completion of On-Call recruitment and training;
- 2018/19 – Use of reserves to support the development period for On-Call firefighters.

The overall requirement for reserves will be managed through the Authority's accounting policies utilising the capital receipts reserve. In effect this means that we will use this earmarked reserve to reduce the annual requirement to fund past capital expenditure from the income and expenditure account.

## THE KEY RISKS

The Authority manages the key risks around the level of Council Tax and Non-Domestic Business Rates collection through the use of earmarked reserves so that short term fluctuation from specific events can be managed. Longer term adverse trends would need to be managed through offsetting savings initiatives. Reserves are also available to manage time delays between when savings are required and when they can be delivered.

The risks associated with the delivery of the 2020 Programme, and with it the delivery of the Efficiency Plan will be managed as part of the programmes management. There are a number of key risks to the level of change, in particular the Authority's ability to recruit and retain sufficient On-Call firefighters to meet the overall response standard. This key risk is mitigated by the retained duty system project which is developing new approaches to recruitment, employer liaison, training and availability for On-Call firefighters.

The other key risk is lack of employee engagement. The arrangements already established for the 2020 Programme in its definition phase included regular meetings with all representative bodies. This engagement will continue. In addition, local business change managers for the areas affected will be responsible for managing employee engagement at the local level to ensure that this risk is mitigated.

## COLLABORATION

The Authority is working closely with the Police and Crime Commissioner to support the development of a business case to change the governance arrangements for the Fire and Rescue Service in Essex. Alongside this there is also a programme of work to develop closer working in a number of key areas including community safety and support services. Savings from this collaboration have been reflected in the forward plans. The Authority is

also undertaking a trial of co-responding in partnership with the East of England Ambulance Service. The trial will run until February 2017.

The Authority undertakes a wide range of collaborative procurement. We led a regional programme to develop a common specification for fire engines and completed a collaborative procurement with Bedfordshire Fire and Rescue Authority. We have also led on the procurement of working at height equipment on behalf of the national procurement board and participate in other joint projects including personal protective equipment. The Authority is a member of the Fire and Rescue Indemnity Company Ltd, a collaborative approach to risk protection and insurance with eight other Authorities.

## **PERFORMANCE MANAGEMENT**

The Authority is committed to improving its performance management arrangements and has strengthened the Service Leadership Team to highlight the importance of the assessment and evaluation of performance data. The Authority's Audit, Governance and Review Committee receive a performance report at each meeting and these are publically available. Work to ensure that performance measure are relevant, meaningful and understood will ensure that progress through the period of the Efficiency Plan is monitored and understood by all stakeholders.

The Authority will publish annual reports on the progress of the efficiency plan alongside the fire and rescue authority's statutory assurance statement, enabling local people to scrutinise progress.

