

REPORT REFERENCE NO.	DSFRA/16/18
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY
DATE OF MEETING	30 SEPTEMBER 2016
SUBJECT OF REPORT	FOUR-YEAR FUNDING ALLOCATION AND EFFICIENCY PLAN
LEAD OFFICER	Treasurer
RECOMMENDATIONS	<p><i>That, following consideration of this matter by the Resources Committee at its meeting on 1 September and in line with the recommendations of that Committee (Minute RC/25 refers), the Authority:</i></p> <p><i>(a) approves the draft Efficiency Plan 2016-2020; and</i></p> <p><i>(b) authorises the Treasurer to apply to the government, on behalf of the Authority, to accept the four-year funding settlement offer.</i></p>
EXECUTIVE SUMMARY	<p>The 2016-17 Local Government Finance Settlement included the offer of a four-year funding settlement to cover the years 2016-17 to 2019-2020.</p> <p>The Fire Minister has subsequently written to all single purpose Fire and Rescue Authorities to confirm that firm funding allocations to 2019-20 are being offered in return for the submission of robust and transparent efficiency plans.</p> <p>On the basis that this offer will provide funding certainty and stability to enable more proactive planning of service delivery and to support strategic collaboration with local partners, it is a recommendation of the report that the Authority applies for the offer.</p> <p>This report has previously been considered at the meeting of Resources Committee held on the 1st September, and the draft Efficiency Plan, enclosed as Appendix A, is a revised version to include additional narrative relating to collaboration working with emergency services, as suggested by Members at that meeting.</p> <p>Whilst the Plan includes proposed projects to deliver required savings targets over the next four years, it should be emphasised that the Plan will inevitably be subject to change, and that some of the projects will be subject to further work from officers before implementation.</p>
RESOURCE IMPLICATIONS	None
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	A. Draft Efficiency Plan 2016-2020

**LIST OF BACKGROUND
PAPERS**

Report RC/16/10 as submitted to the meeting of the Resources
Committee held on 1 September 2016.

1. INTRODUCTION

- 1.1 In the latest Local Government Finance Settlement, announced in December 2015, the government included an offer to local authorities for four-year funding allocations to cover the years 2016-17 to 2019-20, in return for the submission of an efficiency plan. At that time, guidance on the requirements for the submission of the plan was very light with further guidance expected during the early part of 2016.
- 1.2 In May 2016, the Fire Minister wrote to the Chairs of fire and rescue authorities (FRAs) to confirm that the offer would apply to single purpose FRAs, and provided more detail on the requirements associated with the completion and submission of the efficiency plan.
- 1.3 In August 2016 the Home Office wrote to Chairs of fire and rescue authorities to provide a template to be used for efficiency plan submissions. The template is intended to provide high-level indicative figures of how the certainty afforded by the four year settlement will allow for a forecast balanced net position over the four year period.
- 1.4 Those FRAs that choose not to accept the offer will be subject to the existing yearly process for determining the local government finance settlement. Allocations could be subject to additional reductions dependant on the fiscal climate and the need to make further savings to reduce the deficit. Such FRAs will however still be required to complete the template albeit that financial plans may not be sufficiently robust to provide full financial information over the whole four years.
- 1.5 Given that acceptance of the four-year offer will provide funding certainty and stability to enable more proactive planning of service delivery and to support strategic collaboration with local partners, it is a recommendation of this report that the Authority applies for the offer.
- 1.6 This report provides more information on the requirements for completion of efficiency plans. The deadline for the submission of the plan is 14th October 2016. A draft plan is included for approval.

2. COMPLETION OF EFFICIENCY PLANS

- 2.1 A letter from the Fire Minister to the Chairs of FRAs in May 2016 provided more detail in terms what should be included in efficiency plans. That letter offers some flexibility to FRAS on the format of efficiency plans, but emphasises that it is important that plans should be locally-owned and published in a way which allows for transparency and progress to be scrutinised by local people. To achieve this it is expected that the 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.

2.2 It is also emphasised that the plan need not be a separate document and could be combined with the Medium Term Financial Plan.

2.3 Interest in accepting the offer will only be considered if a link to a published efficiency plan is received by the Home Office at 5pm Friday 14th October. The Home Office will provide confirmation of the offer shortly after the deadline.

2.4 The process for the completion of the plan has been to utilise the template provided by the Home Office and populate with figures already included within the Authority Medium Term Financial Plan and the Change and Improvement Plan. Further commentary is provided to expand on our approach to the delivery of savings over the four-year period to deliver a balanced budget position.

2.5 The draft plan has already been considered by the Resources Committee at its meeting on 1 September. Subject to addition of further commentary to the section relating to collaborative working, to include examples of work already being undertaken with the emergency services, the Committee resolved to recommend that the Authority approve the Efficiency Plan and apply to the government to accept the four-year funding offer (Minute RC/25 refers). The additional commentary requested has now been incorporated, with a revised Efficiency Plan now attached as Appendix A to this report. Subject to noting the comments below, this is now recommended for approval:

- (i) It be recognised that the figures included in the plan are based upon forecasts as at this time and some of these will inevitably be subject to change during the four-year period as a result of changes in circumstances e.g. changes in the global financial markets and its impact to the UK economy. It was highlighted that the levels of uncertainty increases as we move further into the four-year period.
- (ii) It be recognised that that whilst the plan includes a number of projects to contribute towards savings targets, that some of these projects are still subject to further work from officers before entering into the implementation phase.

3. OFFER OF FOUR-YEAR FUNDING ALLOCATIONS

3.1 Members will be aware that since the introduction of the government austerity measures from 2010 and the resultant reductions in government funding the Authority's financial planning has taken a longer term focus to ensure that it can demonstrate a balanced budget over at least a five year period.

3.2 This approach, supported by the Medium Term Financial Plan, has resulted in the delivery of over £9m of recurring savings since 2010, largely underpinned by the Authority decisions in 2013 to approve the eleven proposals contained within the 2013 Corporate Plan, delivering annual savings of £6.8m. The strategic approach adopted has been to target savings against the three broad headings of:

- **Reducing our costs** (reductions against budget lines)
- **Reduce Support Costs** (staffing budget lines)
- **Reduce Operational Costs** (staffing budget lines)

3.3 Looking ahead to the next four years the final Local Government Finance Settlement was announced on the 8 February 2016, which provided local authorities with individual Settlement Funding Assessment (SFA) figures for 2016-17 and an offer of a four-year settlement to 2019-20 for those authorities that wish to take it.

3.4 The SFA figures for this Authority results in a reduction in 2016-17 of 8.6% over 2015-16 and should the Authority accept the four-year settlement a total reduction of 24.9% by 2019-20:

TABLE 1 – SETTLEMENT FUNDING ASSESSMENT			
	SFA	SFA Reduction	
	£m	£m	%
2015-16	29.413		
2016-17	26.873	(2.540)	-8.6%
2017-18	23.872	(3.001)	-11.2%
2018-19	22.599	(1.273)	-5.3%
2019-20	22.080	(0.519)	-2.3%
Reduction over 2015-16		(7.333)	-24.9%

3.5 The impact of these reductions were reflected in the revised Medium Term Financial Plan considered at the budget meeting in February 2016. This plan has forecast the need for further savings over the next four-year period, the latest forecast is that a further £9m will be required by 2019-20.

3.6 Since February plans for the delivery of this magnitude of savings have been further developed by the senior management team and areas for savings captured within the Change and Improvement Programme. This programme has identified a number of individual proposals for savings each of which has an assigned programme lead officer responsible for reporting progress through the Programme Board.

3.7 This planned approach provides sufficient confidence that the Service can respond to the impact of the four-year settlement and provide balanced budgets in each of the four years to 2019-20. It should also be noted that the Authority has prudently set aside an amount of £5m into an Earmarked Reserve specifically to be utilised to smooth out the impact of the government funding reductions, particularly as the largest reduction (11.2%) is in the next financial year i.e. 2017-18. As originally intended, it will be necessary to utilise the Comprehensive Spending Review reserve to smooth peaks and troughs in the efficiency plan over the four year period.

4. CONCLUSION

- 4.1 The Medium Term Financial Plan, previously considered by Members at the budget meeting in February 2016, had already identified the need for the delivery of further savings over the next four year period in order that a balanced budget could be set in each year. Our plans are well underway to deliver these forecast savings primarily captured within the five year Change and Improvement Plan.
- 4.2 The government offer of a four-year allocation provides funding certainty and stability to enable more proactive planning of service delivery and to support strategic collaboration with local partners, and it is for this reason that it is recommended that the Authority makes application for the offer of a four-year settlement.
- 4.3 The revised draft efficiency plan included as Appendix A incorporates those comments requested by the Resources Committee following its consideration of this matter at its meeting held on 1 September 2016. In line with the recommendations from that meeting, this is now submitted for approval to be submitted to the Home Office by the deadline of 14 October 2016.

KEVIN WOODWARD
Treasurer