



DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

Efficiency Plan

2016-2020

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About the Plan

The Efficiency Plan sets out how the Authority plans to improve the service it provides whilst managing with reduced real-terms funding levels. This document contains links to other relevant documents and websites and should be read in conjunction with those.

Four Year Plan

The Authority's strategy for the provision of fire and rescue services for the next four years is underpinned by the approved document: Creating Safer Communities, Our Plan 2016-2021. This plan sets out how we are going to make the people who live, work and visit Devon and Somerset safer whilst reducing costs. All public services have to operate with less money and we are no exception. Significant financial pressures require us to review each and every aspect of our organisation all the while ensuring we keep you safe.

The future of our service needs to reflect both the type of risk we are presented with and the savings we need to make. We also want to improve how we work with our communities to understand how we can provide the best advice, support and response to ensure you live a safer life.

Our Priorities:

- Public safety
- Staff safety
- Effectiveness and efficiency

You can find a copy of 'Creating Safer Communities, Our Plan 2016 – 2021' below.

[Creating Safer Communities, Our Plan 2016 – 2021](#)

The key benefits that the plan brings to the local community are:

- A flexible approach to how we prevent emergencies, protect life, properties and the environment and also respond when called upon
- Improve the services and value that we deliver to the public

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

Funding Assumptions

The following table sets out the assumptions the Authority is making about 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 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.

(i) Funding Assumptions	2015-16	2016-17	2017-18	2018-19	2019-20
Settlement Funding Assessment					
Baseline Funding - Business Rates / Top Up	14,458,317	14,578,803	14,865,544	15,304,089	15,793,235
RSG	14,963,885	12,294,179	9,006,780	7,294,992	6,286,477
Settlement Funding Assessment Total	29,422,202	26,872,982	23,872,324	22,599,080	22,079,712
Adjustment for Local Business Rate share (NNDR1) to DCLG Figure	-9,450	-186,192	-186,192	-186,192	-186,192
Council Tax Forecast					
Band D Council Tax (£)	78.42	79.98	81.57	83.19	84.85
Actual / Assumed Council Tax base increase on previous year (£)	745,510	875,969	377,971	388,562	249,678
Yearly Council Tax Precept Increase (£)	869,438	903,572	928,316	953,398	981,823
Collection Fund (council tax & business rates) (£)	734,573	964,394	867,954	781,159	781,159
Estimated Total Council Tax Income	45,297,556	47,289,831	48,492,311	49,739,908	50,966,525
Council Tax Band D Precept Increase (%)	1.99%	1.99%	1.99%	1.99%	1.99%
Growth in Council Tax Base Yield to Previous Year (%)	3.73%	3.95%	2.80%	2.80%	2.51%
TOTAL	74,710,308	73,976,621	72,178,443	72,152,797	72,860,045

The level of RSG the Authority receives will decrease by 58% between 2015-16 and 2019-20. This represents a significant shift in Government policy, who now expect local authorities to increase council tax to support their activities. The Authority's Medium Term Financial Plan currently expects to increase council tax by 1.99% (the current maximum without requiring a referendum) in each of the subsequent years.

Budget Assumptions

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

(ii) Budget Assumptions	2015-16	2016-17	2017-18	2018-19	2019-20
Employee Cost Pressures (£'000)					
<i>Pay Award</i>		533	532	530	535
<i>Unfunded pensions inflationary increase</i>		0	58	58	59
<i>Increase to employer pension contrs. As a result of actuarial valuation</i>				690	
<i>Apprenticeship Levy</i>			267		
Total Employee Costs	57,332	57,864	58,721	59,999	60,593
Cost Pressures (£'000)					
<i>Price inflation</i>		16	319	368	378
<i>National Insurance cessation contracted out scheme</i>		854			
<i>Capital charges and revenue contributions</i>		1,757	20	-64	32
<i>Removal one off provisions and other commitments</i>		-503	413	74	668
Total Non Pay Bill Costs	21,488	23,611	24,364	24,742	25,819
Revenue Expenditure Funded from Capital Receipts	0	0	0	0	0
INCOME					
Section 31 Grants					
<i>Small Business Rates Relief Grant</i>		-37	246	-9	
<i>Rural Services Delivery grant</i>		-421	81	78	-78
<i>Transition Grant</i>		-149	-39	188	
Other Service Income					
<i>From trading co.</i>		99	50	50	
<i>Investment yields</i>		-37			
<i>Transformation funding 15-16</i>		379			
Total Income	-4,109	-4,276	-3,937	-3,630	-3,709
Budget Requirement	74,710	77,199	79,147	81,110	82,703
Financial Challenge Before Efficiencies (cumulative)		-3,222	-6,969	-8,957	-9,843
Financial Challenge Before Efficiencies (annual)		-3,222	-3,747	-1,989	-886

Within employee costs there are a number of cost pressures that are outside of the Authority's control, primarily related to pension valuations and legislative changes. These increase the level of savings that the Authority is required to find between now and 2019-20. As well as cost pressures relating to general inflation, the Authority also faces increasing costs as it seeks to broaden the range of services it is able to offer to the public. There is also an increased focus on prevention work.

Cashable and Non-Cashable Savings

The four year plan shown in the previous section contains a number of cashable savings. Many of the projects will also deliver non-cashable savings to the Authority and other local public sector partners.

In order to meet the financial challenge detailed above a number of efficiency savings need to be found. The savings planned for the current and future years are detailed in the table below. Of the projects listed below, some are in planning and scoping stage so will potentially change and may be subject to staff and public consultation as well as Authority approval.

(iii) Efficiency Savings Assumptions (£'000)	2015-16	2016-17	2017-18	2018-19	2019-20
<i>Implementation of wholetime staffing reductions linked to IRMP</i>		1,421	900		
<i>Retained budget response model, efficiencies and activity levels</i>		302	100	200	300
<i>Support staff efficiencies</i>		511		961	961
<i>Change & Improvement funding</i>		323			
<i>Non-pay savings (procurement/rationalisation)</i>		665	300	300	165
<i>Middle management restructure</i>			325		250
<i>Emergency Services Mobile Communications Programme</i>					40
<i>Catering review</i>			110		
<i>Strategic Fire Control - Economies of scale from NFCSP</i>				320	
<i>Wholetime staffing reductions linked to Flexible Working Duty System</i>			283	510	434
<i>Automated Fire Alarm Response model</i>				75	75
<i>Flexi Duty System review</i>				100	
<i>Co-responding cost recovery model</i>			50		
<i>Personal Protective Equipment and Workwear Savings</i>				228	
<i>Electronic Payslips</i>			40		
<i>Implementation of Asset Management Tracking system</i>				100	
<i>Vehicle Lease Charges</i>			200	50	
<i>Estates department structure and function</i>			40		
<i>Estates Property management strategy</i>			50	50	
<i>Estates commercialisation</i>				10	10
Total		3,222	2,398	2,904	2,235
Forecast Net Position (surplus / deficit) after efficiency savings	0	0	-1,349	915	1,349

The projects to deliver the savings target of £3.222m in 2016-17 have now been fully implemented and are very low risk however the proposals to deliver savings targets for 2017-18 and beyond include an element of estimation and assumptions in order that the savings are fully delivered in time.

It is currently forecast that the projects included within the five year Change and Improvement Plan will deliver the overall savings requirement by 2019-20. However, due to timings in the delivery of some project savings an expected amount of £1.349m will be required to be drawn down from Earmarked Reserves in 2017-18. However it is forecast that this amount can be replenished back to Reserve balances by 2019-20.

The risks and mitigation strategies in relation to the major efficiency savings required is shown in the table below.

Efficiency Savings Assumptions	Risks	Mitigation
Implementation of wholetime staffing reductions linked to IRMP	Activity dependent on natural turnover – no compulsory redundancies being made	Workforce planning and retirement forecasting
Retained budget response model, efficiencies and activity levels	Damage to employee/employer relations Failure to maintain balance between Service priorities i.e. public/staff safety vs efficiency and effectiveness	Clear communication and engagement plan with staff Clear parameters articulated within the scope of the project
Support staff efficiencies	Loss of skills ability to resource key change projects.	Retention of skilled personnel Development of existing staff to accommodate skills required
Change & Improvement funding	Reduced capacity to deliver change and improvement activity	Prioritisation of activity Workforce/workload forecasting for project managers
Non-pay savings (procurement/rationalisation)	Demand or activity requirements may increase. Unforeseen commitments against non-pay budget Dependencies on procurement savings and headcount reductions	Regular review of MTFP in consultation with other Fire sector finance professionals Commercial, category management approach to procurement with planned three year programme of work. Budget analysis to ensure that savings can be taken in line with establishment

Middle management restructure	Over rationalisation of posts leading to reduced capability	Partial retention of budget to enable re-establishment of posts if necessary
Emergency Services Mobile Communications Programme	Delayed implementation Technical complications including provision of 4G and mobile phone coverage	Early engagement with Regional Implementation Manager and Central Government ESMCP team
Catering review	Demand increases and costs increase	Opportunities for demand reduction identified.
Strategic Fire Control - Economies of scale from NFCSP	Failure to reduce Fire Control staffing levels due to ICT system inefficiencies	Strict implementation of contractual obligations between supplier and the partners of NFCSP
Wholetime staffing reductions linked to Flexible Working Duty System	Damage to employee/employer relations Delayed implementation due to extended negotiations	Clear communication and engagement plan with staff Strict observation of negotiation timetables
Automated Fire Alarm Response model	Failure to implement agreed and consulted proposals	Ensure mobilising arrangements in NFCSP are correctly implemented
Flexi Duty System review	Damage to employee/employer relations Delayed implementation due to extended negotiations	Clear communication and engagement plan with staff Strict observation of negotiation timetables
Co-responding cost recovery model	Performance targets not met so costs are born by the Authority Reduced co-responding activity	Focus on performance and contract review Reimbursement is directly aligned to activity so less activity would also reduce costs
Personal Protective Equipment and Workwear Savings	Changes to standards and requirements may lead to increased future costs.	Participation in national and collaborative procurement arrangements. Engagement with staff and representative bodies.
Electronic Payslips	Arrangement will require addition to contract with existing supplier – unknown cost at present	Business case to identify options and full costs/benefits analysis
Implementation of Asset Management Tracking system	Unidentified costs of new system Quality of existing data	Full procurement process Software cleansing solution or manual input of data anew

Vehicle Lease Charges	<p>Increased demand for leased vehicles</p> <p>Increased lease contract charges</p>	<p>Current strategy to purchase vehicles reduced demand on revenue lease costs, fleet department reviews and approves all leased vehicles as part of organisation wide approach</p> <p>Commercial, category management approach to procurement of leased vehicles</p>
Estates department structure and function	Staff turnover leading to loss of resilience	Use of external contractors as required
Estates Property management strategy	Insufficient investment leading to operational failure	Review and assess critical systems to ensure appropriate investment is made
Estates commercialisation	External market for rental becomes weak leading to a low return	Continual market awareness aligned to regular reviews

Capital Expenditure

As well as ensuring that the revenue budget is affordable over the medium term, the Authority also needs to ensure money is available to purchase new assets (e.g. buildings, vehicles, equipment). The planned capital programme is shown in the table below.

(iv) Capital	2015-16	2016-17	2017-18	2018-19	2019-20
Estimated Capital Expenditure (£'000)					
Capital Expenditure	6,171	4,403	6,093	4,495	4,055
Capital Expenditure Financing					
Capital Receipts					
Reserves	602	321	507	0	0
Government grants & other contributions					
Direct Revenue Contributions	572	2,090	3,673	2,656	2,172
Unsupported / Prudential Borrowing	4,997	1,992	1,913	1,839	1,883

The majority of capital expenditure planned over the next four years relates to the fleet replacement programme, including the innovative strategy to replace traditional large fire engines with a smaller Light Rescue Pump and Rapid Intervention units. This not only delivers savings in terms of capital cost but also revenue savings in terms of running costs fuel, maintenance etc. Non-cashable savings can also be attributed to this strategy in terms of improved emergency response times and lower carbon emissions. The next phase of this strategy, in line with the Tiered Response model which was previously subject to public consultation, is to introduce Rapid Intervention Vehicles following a successful pilot. It should be noted that as Devon and Somerset FRA covers the largest geographical area in England its fleet size is second only to London which means it is essential that it looks at innovative ways of reducing its fleet capital investment needs in the future.

In relation to planned capital spending on Estates the current programme includes no new major projects with only a minimal amount for minor improvements and structural maintenance. A strategic review of our Estates (see below) is being undertaken during 2016 with a view of minimising future capital demands and identifying any potential capital receipts.

As a result of historical reliance on external borrowing to fund capital spending and the recent removal of direct government grants towards capital (replaced with transformational bids) the Authority has prudently positioned itself to fund future capital spending from revenue. This

means that it will avoid placing unaffordable debt on future budgets which would only add additional revenue costs to those figures included within this plan.

Our Estate Assets

We have been successfully engaging with other partners to seek opportunities to share our Estate assets, with 13 of our 85 properties now having shared use and a further 17 under active review and this will be maximised where possible in our ongoing Estate strategy.

As part of our strategic review of our Estate we have commenced a major Estate Development Review to identify any latent value in the property portfolio presently held and to assess the capital demand both for our existing portfolio and any new operational requirements in expanding population areas and new towns (such as Cranbrook and Sherford). This is being undertaken with a view to minimising the revenue and capital demands from the required asset base and to generate capital receipts where possible to assist the forward capital investment programme. This work is advanced and will advise and support the Service Delivery strategic plan and IRMP providing a modern and efficient property portfolio that is located appropriately to meet all our corporate objectives and risks identified.

A re-arrangement of the procurement of our planned maintenance of Building Services has generated a planned annual saving of at least £100k per annum from 2016/17. A review and improvement of the structure, management and resources in our Estate Management department has identified a reduction of 15% in permanent posts from our 2014 establishment position with the completion of this reduction plan due to be complete by the end of 2016. After previous investment by the Authority in new asset management software and completion of a major condition survey of our capital assets our Estates team has commenced an investment review to assess a new programme of planned works across the property portfolio that is anticipated will achieve a saving of £100k per annum in addition to the £100k removed from the 2016/17 financial year.

Collaboration

The government has stated that it is committed to ensuring that emergency services continue to deliver for the public and believes greater collaboration across all three services is fundamental to this ambition.

In response to this DSFRS has embarked upon an ambitious transformation programme of support services that will deliver

- a) a clear strategy on how each support function is to be delivered (outsourced, collaborate with partners, in-house but with service improvement)
- b) a clear future vision (blueprint) for each of the support services
- c) improved ways of working within the support functions

d) financial savings

In addition the Service has taken the lead in establishing the South West Emergency Services Forum that has brought together Chief Fire Officers, Chief Constables, Fire Authority Chairs, Police and Crime Commissioners and Ambulance Service Chief Executives on a regular basis to discuss and implement collaborative working. Examples of this are the Fire and Rescue Services supporting demand reduction for the Police and Ambulance in the responding to concerns for the safety of persons locked in buildings and the introduction of Police Fire Community Support Officers in North Devon. A full memorandum of understanding between the regional services is currently being drafted.

The Service is proactively engaged in the CFOA national procurement work programme and the procurement team takes a lead Authority role in the delivery of the national contracts. The service is the Lead Contracting Authority on a CFOA Fire and Rescue Emergency Response Vehicles (Pumping Appliances, Aerials and Special Vehicles) framework with a potential spend of £200-£500m and the Lead Contracting Authority in the CFOA Respiratory Protective Equipment framework with an estimated expenditure of £5-14m.

Flexible Duty Systems

The Service is seeking to provide a more flexible operational workforce in order to support the Service priorities and the identified risks in the integrated risk management plan (IRMP). We are currently piloting a number of On Call availability systems that are designed to provide value for money whilst maximising the availability of appliances across Devon and Somerset. As the largest employer of On Call staff in the country we are committed to leading on better use of this resource as identified by Sir Ken Knight in his 'Facing the Future' report.

Our wholetime staff numbers have been reduced by 28.6% over the past 3 years. We are currently negotiating a flexible duty system with the Fire Brigades Union that will enable our personnel to have more control over when and where they work whilst maintaining the correct crewing levels for appliances identified through our IRMP. This will support our drive to reduce costs incurred through pre-arranged overtime and travel.

We are also seeking to improve the arrangements of our Flexible Duty Officers by reviewing our operational and managerial requirements. This will enable a reduction in the number of officers without compromising public and staff safety.

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)
- Statement of Accounts
- Annual Governance Statement
- Statement of Assurance
- Information required by the prevailing Local Government Transparency Code

- Quarterly Performance Reports (corporate measures and sickness absence)

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 e.g. Capital Investment.

Within the existing statutory and regulatory framework, it is the responsibility of the Chief Finance Officer 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 current balance on the general reserve of £5.282m is equivalent to 7% of the revenue budget, which exceeds the Authority “in principle” decision to hold a minimum of 5%. Should there be a call on this reserve due to unforeseen circumstances, the result of which would be to take the balance below the 5% threshold, then consideration would need to be given as to how the general reserve can be replenished back to the minimum position.

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

(v) Estimated Financial Reserves Levels (£'000)	2015-16	2016-17	2017-18	2018-19	2019-20
General Fund Balance	5,282	5,282	5,282	5,282	5,282
Earmarked General Fund Reserves	24,529	23,196	20,070	20,345	21,054
Expected Use of Earmarked Reserves		-1,333	-3,126	275	709

The expected use of reserves in 2017-18 includes an expectation that an amount of £1.349m will be required from the Comprehensive Spending Review Reserve to ensure that a balanced budget position can be achieved. Other expected use of Reserves over the period relate to funding for planned investment, such as firefighting PPE and capital expenditure.

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.