

**ESSEX POLICE, FIRE AND CRIME COMMISSIONER
FIRE & RESCUE AUTHORITY**
Essex County Fire & Rescue Service



Meeting	Essex Police, Fire and Crime Panel	Agenda Item	6ii
Meeting Date	7 December 2017	Report Number	ECP/26/17
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Presented By	Mike Clayton, Finance Director & Treasurer		
Subject	Finance Update for 2017/18 and Scene Setting for 2018/19		
Type of Report:	Information		

RECOMMENDATIONS

1. The Panel is asked to:

- 1.1 Note the financial performance of the Fire and Rescue Authority for 2017/18;
and
- 1.2 Consider budget risks and issues prior to receiving the proposed precept and budget proposals for 2018/19..

BACKGROUND

2. Governance of the Essex County Fire and Rescue Service transferred from the Essex Fire Authority to the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority on 1 October 2017. The budget for 2017/18 was set by the former Fire Authority and reflected the second year of delivery of service change proposals as part of the Authority's Efficiency Plan. The Efficiency Plan was agreed in September 2016 and was submitted to government to secure certainty for government funding for the period to 2020. In addition in 2016, following public consultations the Authority agreed an Integrated Risk Management Plan and a set of Service Change proposals to ensure a balanced budget from 2020.
3. As part of the public consultation on proposed service changes there was considerable support for the least change option and for increases in Council Tax of 2% per annum from 2016/17 to 2019/20.

2017/18 FORECAST

4. The Forecast outturn for 2017-18 is shown in the table below:-

Description	Current Full Year Budget £'000s	Current Forecast £'000s	Forecast Variance £'000s
Firefighters	28,849	28,785	(64)
On Call Firefighters	6,086	5,925	(161)
Control	1,382	1,375	(7)
Support Staff	13,209	13,582	373
Total Employment Costs	49,526	49,668	142
Support Costs	1,944	1,988	45
Premises & Equipment	10,474	10,138	(337)
Other Costs & Services	3,761	3,658	(103)
Ill health pension costs	2,118	2,221	103
Financing Items	6,160	6,139	(21)
Operational income	(3,781)	(4,127)	(346)
Contribution to/(from) Reserves	(73)	(73)	-
Total Other Costs	20,602	19,943	(659)
Total Budget	70,128	69,611	(517)
Total Funding	(70,128)	(69,913)	215

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6. This shows the overall forecast spend is lower than budget by £517k.
7. Firefighter pay has been lower than planned because of a reduction in headcount with more firefighters leaving through retirements than forecast. This shortfall is being addressed through recruitment and in the summer period additional shift working helped to maintain operational availability. On-call firefighter numbers are also below the budget and lower operational activity for staff on this duty system has increased the savings in the first half of the year. Progress in changing the crewing for one appliance at Clacton is on track for a change in early 2018.
8. The Forecast includes a £373k overspend on Support Staff. Much of this occurred in the first half of the year through additional agency temporary staff, this is being discussed with Budget Holders to reduce this overspend.
9. The underspend forecast on Premises and Equipment of £337K is predominately on ICT projects where savings have been accrued from the "Cloud First" strategy and staff shortfalls have limited the activities being undertaken. Operational income is higher with a new government grant for maintenance of national resilience assets and funding for regional support for the emergency services mobile communications programme.
10. Offsetting the underspend is a funding shortfall of £215k from lower revenues for national non-domestic rates.

2017/18 CAPITAL

11. The forecast of capital expenditure is shown in the table below:

	Original Budget 2017/18 £'000s	Changes (mainly ICT) £'000s	Revised Budget £'000s	Forecast 2017/18 £'000s
Property				
New Premises				
Service Workshops	3,500	-	3,500	500
Asset Protection	2,500	-	2,500	1,900
Total Property	6,000	-	6,000	2,400
Equipment	605	21	626	626
Information Technology				
Projects < £250k	2,400	(1,550)	850	850
Total Information Technology	2,400	(1,550)	850	850
Vehicles				
New Appliances	2,060	-	2,060	2,060
Other Vehicles	825	-	825	825
Total Vehicles	2,885	-	2,885	2,885
Total Capital Expenditure	11,890	(1,529)	10,361	6,761

12. The main project delay has been in respect of the planned replacement of the Service Workshops currently located at Lexden, Colchester. Work on options that include co-location with the Police, or a joint workshops has delayed this project and significant progress is not expected in the current financial year.

SCENE SETTING FOR 2018/19 BUDGET

13. The overall plan for the Authority's budget was set in 2016 with the Efficiency Plan that was approved by the Essex Fire Authority and submitted to the government. Although the plan is on track and significant changes have already been made there are a number of key areas still outstanding that will need to be reflected in the 2018/19 budget. These include:

- Progress on the recruitment of on-call firefighters;
- Budget pressures and workloads for Technical Fire Safety following the Grenfell Tower incident, including the continued part funding of sprinklers in high risk homes; and
- The challenge to deliver non-operational savings through collaboration and partnerships.

PROGRESS AGAINST THE EFFICIENCY PLAN

14. 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)
- ✓ *Financially Sustainable.*

15. 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.

16. 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.

17. 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.

18. 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

19. A second consultation in 2016 sought the views of stakeholders on a range of options for Service changes to reduce the number of fire appliances and to convert the crewing of appliances 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 (completed)** – 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 March 2018** (was 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;

20. 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.

21. 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.

OTHER SAVINGS PROPOSALS

22. The reductions in the numbers of appliances and the change to the crewing of appliances will generate a net £6.4m of savings by 2020. In addition savings of £2.1m 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 2019 (was 2017) onwards £0.5m;
- Reduction in the use of temporary staff £0.3m; and
- Reduced consultancy and external support £0.3m.

23. Since the efficiency plan was agreed the Fire Authority has been replaced by the Police, Fire and Crime Commissioner bringing new impetus to the collaboration opportunities and achieving savings in governance costs.

24. Looking forward, efforts to identify further efficiencies within the service from further modernisation, national procurement opportunities and collaboration are being pursued.

BUSINESS CASE FOR GOVERNANCE CHANGE AND COLLABORATION OPPORTUNITIES

25. The Business Case developed by the Police and Crime Commissioner for the governance change for the Fire and Rescue Service identified the potential for £30m of benefits from the governance change over a ten year period, The main areas of savings are:

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| • Better working together to improve public safety | £4.3m |
| • Sharing of estates | £10.1m |
| • Enabling shared business services | £5.9m |
| • Joint procurement initiatives | £2.3m |

- Further operational collaboration £9.0m

26. It was recognised that these savings would need some £0.9m of programme management costs to deliver and not all of the benefits would be realised. An overall target of £15m to £23m was agreed in the business case.
27. Progress towards these savings will need to start in 2018, but the budgetary impact is unlikely to be significant until later years.
28. The governance structures for collaborative work have been put in place with a Strategic Board chaired by the Police, Fire and Crime Commissioner providing direction and a Programme Board managing the projects. Transformation funding to support collaborative community safety work has been agreed and a bid for support from the One Public Estate programme made to support the sharing of estates.

COUNCIL TAX

29. 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.
30. The impact of this on the expected rate of Council Tax is shown in the table below:

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

31. In addition to the increases in the rate of Council Tax the Authority is projecting an annual increase in the tax base averaging 1.75% through the growth in housing and improvements in the collection rate from the joint approach adopted across Essex billing authorities.

EXPENDITURE PROJECTIONS

32. The key assumptions on expenditure include the planned service changes agreed as part of the 2020 programme. The main area of variance to the planning assumptions relates to the level of pay. The Efficiency Plan included an assumption that the 1% target for public sector pay increases would remain in place. The 2017 pay negotiations for Firefighters have linked changes to the firefighter role map to higher rates of pay increase with a 2% offer from July 2017 and a further 3% in April 2018. The offer is also subject to government agreement to either increase the funding for fire and rescue authorities or allow freedom for larger increases in Council Tax.
33. It should be noted that the proposed changes to the role map could increase activity levels for firefighters, and put increased pressure on the on-call budget. Whether external bodies, including Health would be prepared to pay for firefighter activity in a wider range of activities remains unclear.

34. The in-year impact of any higher increases can be managed through the use of reserves, and in 2017/18 from savings in the firefighter pay budget from the lower headcount. The concern is whether the potential changes to the funding for the Authority will be sufficient to offset the increases in the running rate of expenditure by March 2020/ - this is the key concern for the Authority should higher pay rates be agreed at a national level.
35. Financial projections from 2016/17 onwards have been modelled based on the assumptions about firefighter numbers, pensions and the grant forecast, . The figures only reflect major changes and are in cash terms reflecting the impact of inflation. In summary the forecast changes that impact on each year are shown in the table below:

2020 Projections	2016/17	2017/18	2018/19	2019/20	2019/20 Run Rate
Income					
Council Tax	41,224	42,822	44,417	46,053	46,053
Council Tax - Collection Fund	880	846	400	400	
Total NNDR	14,970	15,427	15,870	16,377	16,377
RSG	14,230	11,033	9,350	8,340	8,340
Total Income	71,304	70,128	70,037	71,170	70,770
Base Spend - Based on 2016-17 Budget	71,304	71,304	71,304	71,304	71,304
Normalise Reserves	303	303	303	303	303
Inflation	-	715	1,430	2,145	2,145
Apprenticeship Levy		300	300	300	300
Business as usual changes Base Spend	303	1,318	2,033	2,748	2,748
Reduction in Watch Based Firefighters	(1,297)	(3,608)	(3,772)	(4,797)	(4,797)
Increase to meet crewing requirements	0	1,800	1,268	1,596	1,391
Increase in on call Firefighters Budget	0	736	850	1,700	1,700
Support Savings	(540)	(1,010)	(1,380)	(2,060)	(2,060)
Investment in Community Safety	0	400	400	400	400
Cost of early exit options and reorganisation	2,900	0	0	0	0
Other Short tem costs & budget Savings	214	474	0	0	(160)
Net Cost/Savings Project 2020	1,277	(1,208)	(2,634)	(3,161)	(3,526)
Total Spend	72,884	71,414	70,703	70,891	70,526
Annual Surplus/(Deficit)	(1,580)	(1,286)	(666)	279	244
Cumulative Use of Reserves	(1,580)	(2,866)	(3,533)	(3,254)	

RISK MANAGEMENT IMPLICATIONS

36. A key risk for the Authority is employee pay and the need for additional funding if pay increases exceed the 1% government target reflected in the plan.
37. The Authority has a plan to achieve a balanced budget by March 2020. This makes use of the Authority's reserves as the timing of the service changes agreed on 2016 does not match the profiled reduction in government grants. After 2020 there is still a high risk of further reductions in government funding – the Authority will still have some £8m of revenue support grant and further reduction in this level of funding cannot be ruled out. Work will need to start in 2018 to consider how this risk should be addressed.

38. The risks associated with the delivery of the 2020 Programme, and with it the delivery of the Efficiency Plan are managed as part of the programme's 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. There have already been successful recruitment campaigns at Clacton and South Woodham Ferrers.
39. 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.

EQUALITY AND DIVERSITY IMPLICATIONS

40. The need for the Fire Service workforce to reflect the communities it serves is recognised. There are challenges for on-call recruitment because of the requirement for these staff to live or work close to the fire station from which they will work. The Service is now in a position to be recruiting wholtime firefighters for the first time since 2010. Work to ensure that these opportunities are available to all in our communities is planned for early 2018 to support a move towards a more representative workforce.

WORKFORCE ENGAGEMENT

41. Representative bodies continue to be engaged in the delivery of the 2020 programme. In addition regular meetings of joint negotiation and consultation committees are held. The draft budget for 2018/19 will be shared with representative bodies for their comments prior to approval.

LEGAL IMPLICATIONS

42. The draft budget and precept will be brought to the panel before approval.