



Lancashire Fire
and Rescue Service

EFFICIENCY PLAN
2018/19

Efficiency Plan 2018/19-2019/20 (Including Outturn for 17/18)

This efficiency plan is based on the Authority's 2018/19-2022/23 revenue budget/medium term financial strategy, as contained in its budget booklet.

Revenue Budget Strategy

In considering its council tax requirements the Authority aims to balance the public's requirement for and expectations of our services with the cost of providing this. As such the revenue budget focuses on the need to:-

- deliver services as outlined in the Risk Management Plan and other plans
- maintain future council tax increases at reasonable levels
- continue to deliver efficiencies in line with targets
- continue to invest in improvements in service delivery and facilities
- set a robust budget that takes account of known and anticipated pressures
- maintain an adequate level of reserves

Government Funding

The Government has continued with the multi-year settlement offer made in 2015/16. As such funding fell by £1.0m to £24.3m in 2018/19.

Next year's settlement will be the last of the current four year settlement, hence, barring exceptional circumstances, and subject to the normal statutory consultation process for the local government finance settlement, the Government expects these amounts to be presented to Parliament each year. and in line with this we anticipate a further funding reduction of £0.5m:-

		Reduction	
2015/16	£29.4m		
2016/17	£27.6m	£1.8m	6.1%
2017/18	£25.3m	£2.3m	8.3%
2018/19	£24.3m	£1.0m	4.0%
2019/20	£23.8m	£0.5m	2.0%
		£5.6m	

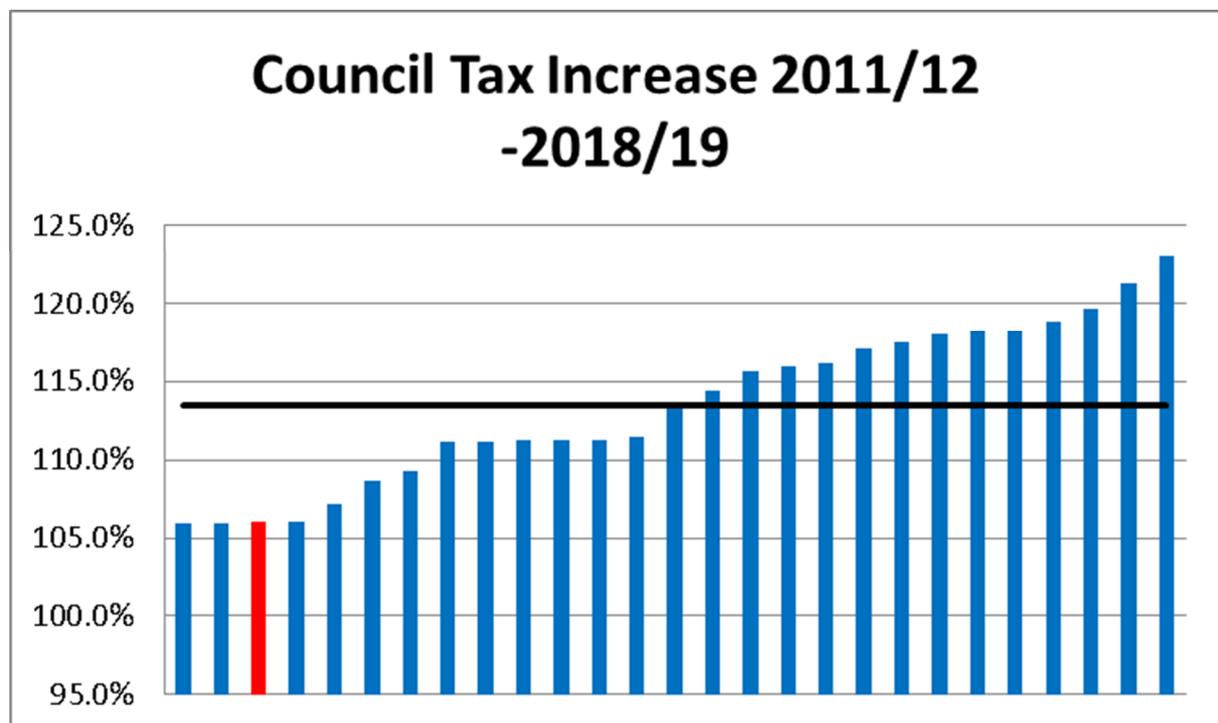
We still have no indication as to what settlement will look like after 2019/20. However the Governments Autumn Budget published in November 2017 indicated that the economy was still struggling, that debt remained higher than anticipated and hence it appears likely that austerity will continue, albeit at a reduced pace. Furthermore the Government is currently consulting on a Fair Funding Review which will set new baseline funding allocations for local authorities by delivering an up-to-date assessment of their relative needs and resources, using the best available evidence, with the outcomes of this anticipated to impact on the settlement in 2020/21 and beyond. Running alongside this the Government has restated its intention to increase the level of business rates that are retained locally, increasing this to 75% by April 2020. The impact of these changes is unclear at the moment and hence we have assumed that funding is frozen in future years.

Council Tax

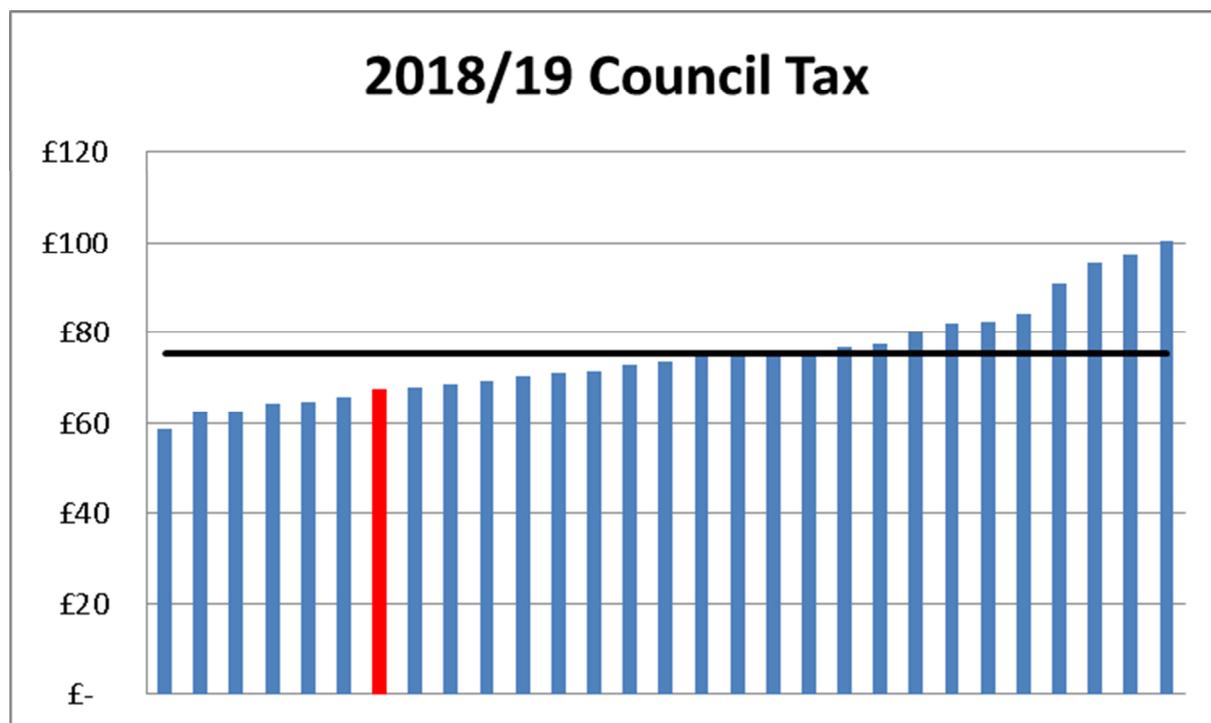
In setting the council tax, the Authority aims to balance the public's requirement for our services with the cost of providing this. As such the underlying principle of any increase in council tax is that this must be seen as reasonable within the context of service provision.

Council tax increases, and hence budget increases, have been constrained by our desire to deliver value for money services and by capping or the current referendum thresholds set by the Government.

This culminated in a council tax increase of 2.99% in 2018/19, within the current 3% referendum principle. However it is worth noting that our previous council tax increases have been amongst the lowest of any Fire Authority, hence council tax has increased by just 6.0% since 2010/11, the joint second lowest of any Authority and considerably lower than the average increase of 13.5%:-



Our 2018/19 council tax of £67.46 is still below the national average of £75.15, and is the seventh lowest of any Fire Authority



It is also worth noting that Fire accounts for less than 5% of the overall council tax charged in Lancashire.

Cashable Savings

The Authority has a good track record of delivering efficiency savings, identifying £5.5m of savings between 2011 and 2013.

In February 2013 the Authority set a target of an additional £10m of savings to be delivered by March 2017. By the end of 2016/17 we had delivered an additional £11m of savings, exceeding our target by £1m. We had also identified further savings of £1.5m in 17/18, bringing the total savings identified to £18.0m since 2011 (over 25% of the Authority budget):

	2011-2013	2013-2017	2017-2018	Total
Move to NW Fire Control	£0.8m	-	-	£0.8m
Introduction of Day Crewing Plus Duty System	£2.6m	£1.9m	-	£4.5m
Outcome of Emergency Cover Reviews	-	£1.5m	£0.5m	£2.0m
Alternative Crewing Arrangements for Specials	£0.3m	£0.4m	-	£0.7m
Prevention & Protection Review	£0.5m	£0.6m	£0.1m	£1.2m
Reduction in Senior management posts	£0.2m	£0.6m	-	£0.8m

Support Functions	-	£1.5m	-	£1.5m
Reduction in number and cost of ill health retirements	£0.2m	-	-	£0.2m
Non pay savings(inc procurement)	£0.9m	£3.5m	£0.6m	£5.0m
Reduction in LGPS costs	-	-	£0.3m	£0.3m
Reduction in capital financing costs	-	£1.0m	-	£1.0m
	£5.5m	£11.0m	£1.5m	£18.0m

In 2017/18 we actually delivered £2.0m of savings, exceeding our £1.5m target. As can be seen a significant proportion of this related to vacancies within the pay budget which were temporary in nature pending recruitment which is due to take place in the current financial year.

	Target	Savings Delivered
Staffing, including Emergency Cover Review outcomes, LGPS scheme deficit removal plus management of vacancies	£0.777m	£1.153m
Reduction in service delivery non pay budgets including the smoke detector budgets	£0.222m	£0.280m
Reduction in Property repairs and maintenance and utilities budgets	£0.215m	£0.010m
Reduction in Fleet repairs and maintenance and fuel budgets (although these budgets are underspent, they are offset by overspends on other budget headings as reported above)	£0.066m	£0.066m
Reduction in insurance Aggregate Stop Loss	£0.050m	£0.153m
Reduction in capital financing charges	£0.040m	£0.040m
Procurement savings (these are savings on contract renewals, such as waste collection and stationery contracts)	-	£0.104m
Balance – cash limiting previously underspent non pay budgets	£0.180m	£0.180m
Total	£1.550m	£1.986m

Over the next two years we have identified further savings of £1.1m:-

	2018/19	2019/20
Removal of temporary posts created in previous years	£0.1m	-
Reduction in Interest Payable as a result of paying off a proportion of debt	£0.2m	-
Reduction in operational equipment replacement budget reflecting asset management plans	£0.1m	-
Savings identified from reviewing various non-pay budgets	£0.4m	-
Rental Income re Site Sharing of Preston Fire Station	-	£0.1m
Savings relating to transfer from Airwave to ESMCP	-	£0.2m
	£0.8m	£0.3m

Collaboration

The Service continues to deliver savings from Collaborative opportunities. .

In 2014 the Service was involved in establishing a joint NW Fire Control Centre with Cumbria, Manchester and Cheshire, which delivered over £0.8m of savings to Lancashire.

We continue to look at opportunities to deliver services, including support service, on a more effective basis through collaboration, and this approach has seen us utilise Lancashire County Council for various support functions, GMC Fire for payroll services and we have a shared procurement arrangement with Mersey Fire.

In respect of procurement we work collaboratively with our partners delivering regional contracts in areas such as PPE, uniforms, specialist vehicles etc., as well as utilising national contracts where appropriate.

We have implemented a gaining entry scheme to support North West Ambulance Service across the county, removing some of the burden previously placed on Lancashire Constabulary to undertake this activity.

We introduced an emergency first responder scheme with North West Ambulance Service in Morecambe and Ormskirk, attending incidents and ensuring that the public get the quickest possible assistance to specific types of medical emergencies, thus improving survival rates. (This is currently suspended pending the outcome of national pay discussions)

We have continued to explore opportunities to share sites with other public bodies, and are nearing completion of the build of a joint Fire & Ambulance Station in Lancaster, which is part funded by Government grant. This will be the third station that we share with North West Ambulance Service, after Darwen and Preston Fire Stations. We are also reviewing options around Morecambe Fire Station. In addition we already share Preesall Fire Station with the Police.

In order to ensure that we are well placed to meet future challenges arising from our new duty to collaborate, we have previously seconded officers into both Lancashire County Council and Lancashire Police, and have signed a Statement of Intent and established a joint collaboration group with the Constabulary to explore further opportunities that collaboration presents.

Funding Gap

Despite identifying over £19m of savings since April 2011, of which £5m cover the four year settlement period, we are still faced with a growing funding shortfall in subsequent years, the scale of which will depend upon future council tax options and other pressures:-

	2019/20	2020/21	2021/22	2022/23
Based on 3% increase in council tax	(£1.2m)	(£1.7m)	(£2.2m)	(£2.6m)
Based on 2% increase in council tax	(£1.5m)	(£2.3m)	(£3.2m)	(£4.0m)

Based on 1% increase in council tax	(£1.8m)	(£2.9m)	(£4.2m)	(£5.3m)
Based on council tax freeze	(£2.1m)	(£3.5m)	(£5.1m)	(£6.5m)

It must be stressed that there are a whole host of assumptions underpinning these projections, particularly around vacancy profiles, pension costs, future inflation, pay awards and funding beyond March 2020.

General reserves are sufficient to balance the budget throughout the period of the four year settlement. However they are only a short term solution, and based on the current assumptions included in the budget, and allowing for a 3% council tax increase each year, they will fall to our minimum level by the end of 2021/22. Furthermore the utilisation of reserves will still leave a recurring funding gap that will need to be offset by savings at a future point in time.

In order to offset this the Authority will continue to identify savings opportunities, and we will continue to explore collaborative opportunities to deliver cashable, and non-cashable, savings in order to contribute to this position.

Use of reserves

The Authority has adopted a position of delivering savings at the earliest opportunity, with any subsequent underspend being transferred into reserves in order to enhance its overall financial position and to ensure that sufficient reserves are held to deal with future uncertainties the most notable of which has been funding levels.

As a result the Authority is in a strong financial position currently holding £8m of general reserves, i.e. uncommitted reserves which provides scope to utilise £5m of these to meet the future revenue and capital requirements.

Hence, assuming council tax is increased by 3% and all other budget assumptions are correct, by the end of the current four year settlement (March 2020) general reserve levels could have reduced down to approx. £7m still above our minimum requirement. These reserves will come under increasing pressure in future years, with the latest forecast indicating these will reduce down to our current minimum level by March 2022.

Further details of this are included in the Reserves Strategy, which is included in our budget booklet.

Key risk and mitigation strategies

The following significant financial risks have all been assessed and are adequately covered within the budget estimates presented or within the level of reserves currently held:-

- Further reductions in funding levels, over and above those identified in the provisional four year settlement
- Reduction in funding via Business Rates retention scheme;
- Reduction in council tax funding due to changes in localisation of council tax support, reducing tax base and/or council tax referendum limits;
- Higher than anticipated inflation/pay-awards;

- Larger increases in future pensions costs/contributions,
- Increase in costs arising from demand led pressures, i.e. increasing staff numbers, overtime due to spare conditions or major equipment replacement requirements
- Increased cost of partnership arrangements
- Inadequacy of insurance arrangements
- Increasing capital financing charges due to higher interest rates, although clearly the risk of this is reduced due to the policy of paying off debt as it matures

It is inevitable that there may be other changes in funding or costs which cannot be anticipated which may impact the Authority. Dependant upon the scale of these the Authority will be required to utilise more reserves or deliver greater savings. However the Authority remains in strong position to deal with any such changes that occur.

Summary

Overall the Authority is well placed to meet the financial challenges that it faces in the medium term, and will continue to balance future council tax levels and the need for investment whilst maintaining effective service delivery.

The move to four year settlements creates greater certainty which is to be welcomed. This certainty enables the Authority to take better informed longer term planning decisions, confident that any changes are deliverable in the financial context that it faces. Not only that change can be implemented in a more structure way, thus minimising the impact on service delivery, as well as on staff within the organisation.

We will report on performance against the efficiency plan, alongside our other performance data, such as the annual accounts, annual assurance statement, performance report etc., (which are all available of the website) and will continue to strive to make any such reporting as transparent as possible.