



## **EFFICIENCY PLAN 2016/17-2019/20**

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This efficiency plan is based on the Authority's 2016/17-2019/20 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:-

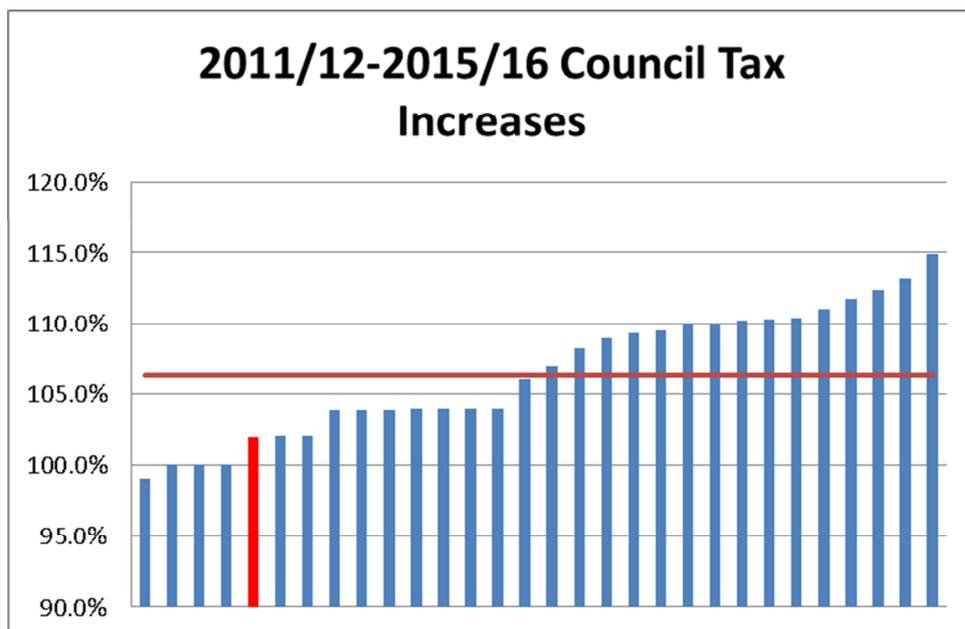
- deliver services as outlined in the [Risk Management Plan](#) and other plans;
- maintain future council tax increases at reasonable levels;
- continue to deliver efficiencies in line with targets;
- continue to invest in improvements in service delivery and facilities;
- set a robust budget that takes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

### **2011-2016**

Between 2011-2016 Government Funding fell by over £7m (20%). In order to offset this funding reduction and meet other pressures the Service embarked on an ambitious savings plan, which delivered over £14m of savings over this timeframe:-

	2011-2016
Introduction of Day Crewing Plus Duty System	£3.4m
Alternative Crewing Arrangements for Specials	£0.7m
Outcome of Emergency Cover Reviews	£1.7m
Move to NW Fire Control	£0.9m
Prevention & Protection Review	£0.5m
Reduction in Senior management posts	£0.8m
Support Functions	£1.5m
Reduction in number and cost of ill health retirements	£0.2m
Non pay savings (including procurement)	£3.7m
Reduction in capital financing costs, including revenue funding of capital programme	£0.7m
	£14.1m

This enabled the service to freeze council tax between 2011/12-2014/15, one of only 7 Fire Authorities who did this and increase it by just 1.90% in 2015/16. The resultant council tax of £64.86 is below the national average of £70.00, and our increase of just 1.9% in the 5 year period compares with an average increase of 6.3%.



## 2016-2020

### Government Funding

Government funding in 2016/17 fell by £1.9m. This year's settlement also included draft figures for 2017/18-2019/20, and these show an overall reduction in funding of £5.5m (over 18%) as set out below:-

	2016/17	2017/18	2018/19	2019/20
Funding Reduction	£1.9m	£4.1m	£5.1m	£5.5m

### 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 referendum thresholds set by the Government. Applying this principle in 2016/17 the Authority agreed a 1.00% increase and our current budgetary assumptions allow for a 2.0% increase in future years.

	2016/17	2017/18	2018/19	2019/20
Anticipated council tax increase	£0.5m	£1.1m	£2.0m	£2.9m

## Cost Pressures

There are a number of significant cost pressures that the Authority faces over the four year period:-

	2016/17	2017/18	2018/19	2019/20
Pay Inflation	£0.4m	£0.8m	£1.2m	£1.6m
Increase in National Insurance costs	£0.8m	£0.8m	£0.8m	£0.8m
Apprenticeship levy	-	£0.2m	£0.2m	£0.2m
Other Inflation	£0.4m	£0.8m	£1.2m	£1.6m
FF recruitment costs	£0.3m	£0.3m	£0.3m	£0.3m
Investment in RDS personnel	£0.6m	£0.6m	£0.6m	£0.6m
Investment in ICT	£0.2m	£0.2m	£0.2m	£0.2m
Investment in Training and Development	£0.3m	£0.3m	£0.3m	£0.3m
Secondment of staff to develop collaborative opportunities	£0.1m	-	-	-
Other	(£1.1m)	(£1.2m)	(£1.6m)	(£1.8m)
	£2.0m	£2.8m	£3.2m	£3.8m

## Funding Gap

Taking account of the funding position set out above and despite identifying over £14m of savings between April 2011 and March 2016, the Authority is still faced with a growing funding shortfall in subsequent years, the scale of which will depend upon future council tax options and other pressures:-

	2016/17	2017/18	2018/19	2019/20
Based on 2% increase in council tax	(£3.1m)	(£5.6m)	(£6.3m)	(£6.6m)
Based on 1% increase in council tax	(£3.1m)	(£5.9m)	(£6.8m)	(£7.5m)
Based on council tax freeze	(£3.1m)	(£6.1m)	(£7.4m)	(£8.3m)

## Cashable Savings

In order to offset this the Authority will continue to identify and deliver against savings opportunities, and has already identified over £5m of savings to be delivered in the 4 year period:

	2016/17	2017/18	2018/19	2019/20
Introduction of Day Crewing Plus Duty System	£0.5m	£0.5m	£0.5m	£0.5m
Outcome of Emergency Cover Reviews	£0.5m	£1.0m	£1.0m	£1.0m
Prevention & Protection Review	£0.6m	£0.7m	£0.7m	£0.7m
Non pay savings (inc procurement)	£1.1m	£1.3m	£1.3m	£1.3m
Reduction in capital financing costs, including revenue funding of capital programme	£0.4m	£1.4m	£1.7m	£1.7m
	£3.1m	£4.9m	£5.2m	£5.2m

## **Flexible working practices**

The most significant area of savings identified above relate to the way in which front line services are delivered, and in particular the alignment of resources to risk:-

- Lancashire introduced an amended duty system, Day Crewing Plus, in 2010. Under this system operational personnel provided 42 positive hours and a further 42 stand-by hours at a base next to the station, resulting in a reduction of 14 posts per station, whilst maintaining the same response standards. This will be implemented at Skelmersdale Fire Station in 2016/17, which will be the eleventh station that this now utilises this duty system.
- The Emergency Cover reviews have identified changes at various stations across Lancashire, removing both whole time and retained pumps, changing duty systems, and moving to alternate crewing arrangements for all special appliances. Within the four year plan a further whole time appliance at Lancaster will be replaced by one crewed under the retained duty system.

As a result of these changes our operational fire cover now consists of: -

- 11 pumps operating under the traditional 2/2/4 duty system;
- 11 pumps operating under the Day Crewing Plus duty system;
- 4 pumps operating under the Day Crewed duty system;
- 32 pumps operating under the Retained Duty System.

As can be seen the service relies on RDS pumps for over 50% of its overall emergency response. In recognition of the pivotal role that the retained duty system personnel play the Service was the first in England to introduce a salary scheme, in order to increase the rewards provided to RDS personnel thus aiding recruitment, retention and availability. Whilst our current level of RDS availability is still one of the best nationally at 90% it has fallen in the last two financial years, and as such the Service is currently reviewing the reasons for this to identify key actions which can be taken. This will potentially result in further investment into the retained duty system. In addition we have also introduced the practice of retained duty system personnel riding whole-time appliances, in order to maintain pump availability and enhance training/competency.

## **Collaboration**

The Authority established a joint NW Fire Control Centre with Cumbria, Manchester and Cheshire, which went live in 2014 and delivered over £0.8m of savings to Lancashire.

In order to ensure that we are well placed to meet future challenges arising from our new duty to collaborate, we have seconded officers into both Lancashire County Council and Lancashire Constabulary to explore further opportunities that collaboration presents.

A review of Prevention and Protection Services has been undertaken to better align resources to risks identified within Lancashire. This not only delivered £0.7m of savings, it has enabled the service to enhance our collaborative arrangements with partners, and we are currently developing a safe and well visit on a multi-agency basis to further enhance this service.

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, Manchester Fire for payroll services and we have a shared procurement arrangement with Merseyside Fire.

In respect of procurement we work collaboratively with our partners delivering regional contracts in areas such as Personal Protective Equipment (PPE), uniforms, specialist vehicles etc.

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. So far, we've helped nearly 700 people get the medical assistance they needed more quickly – 80% within ten minutes of the call to us.

We have also introduced the first nationally approved emergency first responder scheme with North West Ambulance Service in Morecambe and Ormskirk, attending over 450 incidents and ensuring that the public get the quickest possible assistance to specific types of medical emergencies, thus improving survival rates.

We have continued to explore opportunities to share sites with other public bodies, and are in the process of finalising plans for 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 Lancashire Constabulary and with Sure Start.

### **Revised Funding Gap**

Despite identifying over £19m of savings since April 2011, of which £5m cover this 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:-

	2016/17	2017/18	2018/19	2019/20
Based on 2% increase in council tax	-	(£0.7m)	(£1.1m)	(£1.4m)
Based on 1% increase in council tax	-	(£1.0m)	(£1.6m)	(£2.3m)
Based on council tax freeze	-	(£1.2m)	(£2.2m)	(£3.1m)

In order to offset this the Authority will continue to identify savings opportunities, most notably from the next Emergency Cover Review, scheduled to take place in 2017/18 with any changes being introduced in subsequent years, as well as our annual budget challenge process.

We will continue to explore collaborative opportunities to deliver cashable, and non-cashable, savings in order to contribute to this position.

### **Use of reserves**

Despite already identifying over £5m of savings, we will still be faced with funding shortfall. We will continue to seek opportunities to identify further savings, most notably

from the next Emergency Cover Review which is due to take place in 2017. However any remaining shortfall will need to be met from 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 £10m of general reserves which provides scope to utilise £7m to meet the future revenue and capital requirements.

£4m of these will be utilised to support our capital programme over the next 5 years, most notably delivering two joint Fire/Ambulance stations. A further £3m will be available to offset the potential funding shortfalls identified above:-

	2016/17	2017/18	2018/19	2019/20
Reserve usage	-	£0.7m	£1.1m	£1.4m

Hence by 2019/20 general reserve levels could have reduced down to approx. £3m in line with our minimum target level.

### **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 spate 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 in the next 4 years. Dependent 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 4 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 structured way, thus minimising the impact on service delivery, as well as on staff within the organisation.

In terms of community benefits we will continue to explore collaborative arrangements with partner agencies such as Lancashire County Council, Blackpool and Blackburn with Darwen Councils, as well as Lancashire Constabulary and North West Ambulance Service. The greater funding certainty will enable us to commit to these partnerships for a longer period and will ensure that the public of Lancashire get the best possible service from all agencies.

We will report on performance against the efficiency plan, alongside our other performance data, such as the [annual accounts](#), [annual assurance statement](#), [annual performance report](#), etc.