

Hampshire Fire and Rescue Authority

Finance and General Purposes Committee

Item: 6

11 April 2014

Our Financial Plan to 2017/18

Report by the Chief Officer

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1 Summary

- 1.1 The Authority's early action in implementing and achieving its efficiency savings programme, in preparation for the significant grant reductions arising from the 2010 Comprehensive Spending Review (CSR), has placed it in a strong position to produce a 'steady state' budget for 2014/15. It has also given itself the time and capacity it needs to develop further efficiency options and to begin to implement this next phase of savings from 2015/16 onwards.
- 1.2 As explained in reports to the last two meetings of this Committee we have projected a budget gap of £12m in the medium term to 2017/18.
- 1.3 We have now completed work to ensure the Service has a clear focus on the funding gap and established a plan to close it. We have also looked at the balance and weighting across these initiatives to ensure all parts of the Service are equally challenged by the targets we are presented with. We have a comprehensive consultation strategy for the savings plan to ensure that our staff, the public and other key stakeholders are engaged and consulted appropriately.
- 1.4 Whilst we have developed this plan, we remain committed to continuous improvement and strive to make the Service stronger and Hampshire safer.
- 1.5 The Financial Plan is the outcome of this work. It summarises in broad terms a savings programme and how this can contribute to balancing the budget over the next four financial years. The Plan will be monitored and reported to this Committee on an annual basis, or more frequently if any significant changes are required.

2 Recommendation

- 2.1 That the Financial Plan to 2017/18 be recommended to the Authority for approval.

3 Introduction and background

- 3.1 The Authority's current efficiency programme has successfully achieved its targets to date, and in some cases ahead of schedule. These savings are currently profiled to be achieved up until March 2015. The strong position the Authority finds

itself in provides testament to its ability to plan ahead to ensure it is in a good position to be able to deal with future challenges. However, with further significant grant reductions expected and inflationary pressures, along with the national pressure to avoid council tax increases, the financial outlook for 2016/17 and 2017/18 remains just as challenging. A continued focus of planning ahead will give the Authority the time and capacity to deliver the reductions in our cost base that are required.

- 3.2 The current forecasts indicate that with a similar level of grant reductions to be applied from 2016/17 onwards, and with the potential fall out of all the currently announced council tax freeze grants, the budget deficit in these years will become significant, rising to a predicted £12m in 2017/18.
- 3.3 In August 2013, the Safer Stronger Board established the Budget Alignment Group (BAG). This Group was set up to agree a framework and propose an overall approach to match spending to income for the medium term financial planning scenario to 2017/2018. This would include quantifying known efficiencies, potential income generation, exploring on-going underspends, and the risk cover review. The team was established under the leadership of the Director of Service Delivery. They have progressed work to examine the finances, not only through the next five years, but also through the following two years, to 2020.
- 3.4 It should be noted that figures have been produced based on the best information we have to date and inevitably a number of assumptions have been made. We will keep our plan under review and amend it where appropriate as and when we know more detail.

4 Financial Plan to 2017/18

- 4.1 Throughout the Plan, there are a number of existing or new initiatives, each of which has a savings target. The order in which the savings are listed are important. They go from those that are currently seen as being easier to deliver, to those that are more challenging or impact directly on community facing services. It should be noted that the targets may be subject to review over time. They are listed in the table below, with a brief explanation of the projects in paragraphs 4.3 to 4.9.

4.2

	Income (£'000)	Expen- diture (£'000)	Net (£'000)
Current income and expenditure at 2013/14	67,944	65,305	2,639
Increased costs to 2017/18 <ul style="list-style-type: none"> • Pay inflation – £3.4m (1.5% -2% per year) • Contribution to capital programme due to loss of capital grant – £0.7m • Non pay inflation – £1.4m (2.5% per year) • Rise in employer National Insurance rates – £1m • Additional Retained Duty System Employer Pension contributions – £1m 		7,500	(7,500)
Reduced government grant income to 2017/18	(9,900)		(9,900)
Previous planned efficiency savings to be achieved by March 2015 <ul style="list-style-type: none"> • Staff Review (1.489m) • Selective alerting (100k) • Partnership working (195k) • Networked Fire Control Services Partnership (275k) • Invest to save (32k) • Removal of Special Equipment Unit at Winchester (444k) 		(2,535)	2,535
The GAP (2017/18)	58,044	70,270	(12,226)
Closing the gap			
Savings to be made from budgets by Heads of Service:			
- Secured to date		(1,090)	
- To be identified		(1,500)	
Increased efficiencies/savings <ul style="list-style-type: none"> • Joint Working (370k) • Networked Fire Control Services Partnership – additional savings (140k) • Provided vehicles (80k) 		(590)	
Increased Income <ul style="list-style-type: none"> • 3SFire trading arm - profit (100k) • Networked Fire Control Services Partnership – trading (100k) • Sharing our space (250k) 	450		
Council Tax Income from council tax is difficult to predict due to government rules and local changes to the council tax base (number of properties). There are a number of options, but for planning purposes, our plan is based on a proposed increase in council tax of 3% in 2016/17 and 2017/18, although this will be subject to approval by the Authority in subsequent years.	2,220		
Professional Services Redesign		(1,370)	
Risk Review		(5,006)	
Totals	60,714	60,714	0

- 4.3 The Joint Working in Hampshire programme is being undertaken to exploit opportunities for improving and sharing support services, secure efficiencies and improve the resilience of each organisation, whilst protecting our frontline services. It created a single joint working 'entity' (H3) to provide services across the three organisations, with joint direction, governance, control and senior management. Each organisation will remain distinct, and focused on the delivery of their core services, retaining their own corporate identity and brand.
- 4.4 The Networked Fire Control Services Partnership (NFCSP) will provide a collaborative approach for the provision of fire control services for Devon and Somerset, Dorset, Hampshire and Wiltshire fire and rescue services. Each service will retain and develop its own fire control. Significant benefits will be gained from working together to identify innovative ways of improving the services provided to the public. We will work closely together to deliver a cost effective and resilient Control service that continuously meets public expectations. It is envisaged that the benefits will go beyond the provision of Control services. These include improved firefighter safety, public safety, and efficiency. It is proposed that we seek to raise income by selling control and/or call handling services to other stakeholders.
- 4.5 Provided vehicles is a project to provide cars for flexible duty system officers and more pool cars for staff for business use. This is an 'invest to save' initiative to reduce travel expenditure and improve our road risk management.
- 4.6 The trading company (3SFire) will allow us to generate profits through securing fire related contracts. The company is wholly owned by the Hampshire Fire and Rescue Authority; therefore any net profits generated can go back to the HFRA and be used for re-investment in the services we provide to the community.
- 4.7 Sharing our space is a series of projects to make the best use of our premises, and where possible optimising our income by sharing them with our partners.
- 4.8 The objective of the Professional Services Redesign is to consider how the future delivery of internal professional services can be achieved more efficiently whilst providing excellent services to those in community facing roles. This work will complement the provision of services through H3 and the organisational changes falling from the Risk Review, whilst delivering savings to support the achievement of the reduced cost base.
- 4.9 The Risk Review is a fundamental examination of the risk profile in Hampshire and the way operational services are provided to address that risk. Started in the early part of 2014, it has been charged with developing savings proposals that will form a major element of meeting the budget deficit. Potentially it will have implications for changes to front line delivery that may require public consultation in due course. The Review is due to report its proposals in summer 2015.

5 Capital funding

- 5.1 Capital grant support is being fully withdrawn and based on our on going annual requirement for capital investment in buildings and vehicles we have identified a potential future capital funding gap. However, the Authority's prudent approach to budgeting over the last few years has generated significant reserves which will

help fund the capital programme at least until 2018/19. Over time, we will start to address the funding shortfall, but the timescales are not as acute and therefore the need to communicate this issue to the organisation is not as critical, since the main area of focus remains the revenue budget.

6 Supporting our corporate priorities and aims

- 6.1 Our future spending plans underpin the Authority's Service Plan for the medium term. The proposed plan will allow the Service Plan priorities to be achieved over the coming years.
- 6.2 One of the priorities in the Service Plan 2013-2018 is based upon successfully managing our assets and money. At the centre of this is achieving clarity in the revenue funding gap we are faced with and our plan to address it.

7 Risk analysis

- 7.1 We have an entry on the Corporate Risk Register 'failure to adequately plan and manage the Authority's financial resources in the medium term'. This entry is overseen by the Safer Stronger Board. The plan to address the funding gap and the monitoring of it is the key control to this risk. It is therefore important that there is a named person responsible for each initiative, and that they are required to report to the Board any risks to the achievement of savings within the target timeframes as soon as possible. They should also report any key interdependencies or impacts on other projects and risks that these present, so project managers need to work together in this respect.
- 7.2 One of the risks identified is the potential 'double counting' of savings between projects. These will be monitored closely to ensure that, within this programme, this risk does not materialise.
- 7.3 The implementation of a new savings programme will need to be kept under review to ensure that new information that changes any assumptions we have made are incorporated.

8 People impact assessment

- 8.1 The proposals within this report are considered compatible with the provisions of the equality and human rights legislation. However impact assessments will be made for each of the proposals as they progress.

9 Consultation

- 9.1 In the development of this savings/income programme, we have consulted with each of the individuals that will lead the initiatives highlighted. Throughout this process, agreement has been reached on the targets detailed above.
- 9.2 In the spirit of openness we are particularly keen that the public and staff are engaged in the process of solution finding as early as possible. Hence we have a comprehensive consultation strategy for the savings plan to ensure that our staff, the public and other key stakeholders are engaged and consulted as appropriate.

10 Conclusion

- 10.1 The Service has identified a significant funding gap in our revenue budget over the next four years. We have established a programme of savings and income to close it.
- 10.2 Hampshire Fire and Rescue Authority is in a strong financial position and it has achieved this, in part, by its pre-planning. This current work will help to maintain this clarity and forward thinking to ensure this financial strength is sustained.
- 10.3 The Safer Stronger Board will oversee the delivery of the Financial Plan and the Committee will receive regular reports on our progress against it.

11 Background papers

- 11.1 The following documents disclose the facts or matters on which this report, or an important part of it, is based and has been relied upon to a material extent in the preparation of the report:

Medium Term Financial Strategy Report Finance and General Purposes
Committee 29 October 2013

Draft HFRA Budget 2014/15 Finance and General Purposes 29 January 2014