

**COUNTY DURHAM AND DARLINGTON
FIRE AND RESCUE AUTHORITY
EFFICIENCY PLAN 2016/17 – 2019/20**



Safest People, Safest Places

County Durham and Darlington
Fire and Rescue Authority



BACKGROUND

1. In the face of an ongoing reduction in government funding, County Durham and Darlington Fire and Rescue Authority remains committed to protecting front line services to the public ensuring that there is no increase in risk and no change to emergency response standards. The Authority's funding from central government reduced by £4.9M during the period 2010/11 to 2015/16. Over the same period the Authority's net revenue budget reduced by £2.7M ignoring the effects of pay awards and inflation, meaning that the real reduction is significantly more than this. In spite of the challenging financial circumstances, the Authority has been successful in achieving savings through its Service Transformation Programme which has enabled it to balance the budget whilst at the same time protecting front line services.
2. In order to balance the budget the Authority has taken a number of difficult decisions many of which have directly impacted on staff. We believe our crewing arrangements and shift systems are now amongst the most efficient in the country. We also have a very lean support staff and management structure and we have worked hard to help staff understand the reasons behind changes and how they can make a contribution by changing working practices and taking on new work to improve efficiency.
3. The Authority's approach to Service Transformation is based on the principle of providing value for money to local taxpayers. The Service Transformation Programme and the efficiencies that have been identified as part of the budget setting process are focused on reducing cost without increasing the level of risk in local communities.
4. The Authority has set a balanced budget for the current year (2016/17) and needs to identify a further £1.5M of savings during the period 2017/18 to 2019/20. Work is ongoing to identify additional savings through the service transformation programme and this Efficiency Plan sets out how the Authority intends to make the savings required in order to produce a balanced budget over the medium term.

STRATEGIC PLAN

5. The Authority's strategy for the provision of fire and rescue services is driven by the approved Strategic Plan which has been designed to comply with the Government's guidance in relation to the preparation of integrated risk management plans. A link to the Strategic Plan 2015/16 to 2017/18 is provided below together with a link to the Integrated Risk Management Plan Consultation document for 2016/17:

https://www.ddfire.gov.uk/sites/default/files/attachments/IMRP_2015_0.pdf

https://www.ddfire.gov.uk/sites/default/files/attachments/IRMP-consultation_2016-2017_v9.pdf

MEDIUM TERM FINANCIAL PLAN

6. The Authority has agreed in principle to accept the Government's offer of a four year funding settlement however this will still result in a significant reduction in Government funding (19%) over the Medium Term Financial Plan (MTFP) period. The MTFP set out in table 1 below outlines the financial position of the Authority over the next 4 years:

Table 1: Medium Term Financial Plan 2016/17 to 2019/20

	2016/17	2017/18	2018/19	2019/20
	£M	£M	£M	£M
Net Expenditure	28.609	28.183	28.774	29.062
Total Government Funding	10.945	9.676	9.134	8.884
Local Non Domestic Rates	1.479	1.508	1.552	1.602
Council tax	15.861	16.254	16.646	17.047
Surplus on Collection Fund	0.324	0	0	0
Total Funding	28.609	27.438	27.332	27.533
Shortfall	0	-0.745	-1.442	-1.529

A link to the Authority's detailed 2016/17 budget and MTFP is provided below:

<https://www.ddfire.gov.uk/sites/default/files/attachments/16-17%20budget%20book.pdf>

MTFP Assumptions

7. A number of assumptions have been made when preparing the MTFP which are set out in table 2 below. At this stage the assumptions are believed to be prudent based upon the information that is available.

Table 2: MTFP Assumptions

	2016/17	2017/18	2018/19	2019/20
Income Assumptions				
Settlement Funding	-7.05%	-9.30%	-4.39%	-1.87%
Council Tax Base	+2.50%	+0.50%	+0.50%	+0.50%
Council Tax Level	+1.90%	+1.90%	+1.90%	+1.90%
Expenditure Assumptions				
Pay Awards	+1.0%	+1.0%	+1.0%	+1.0%
Inflation	+1.0%	+1.0%	+1.0%	+1.0%
Pensions Costs	0.00%	0.00%	0.00%	0.00%
NI Changes	+3.00%	0.00%	0.00%	0.00%

8. The assumptions relating to grant cuts beyond 2016/17 are based upon the four year funding figures provided as part of the settlement.
9. The Authority's share of council tax collection fund surplus (the excess council tax collected over that which was budgeted to collect) amounts to £324,000 in 2016/17. No surplus or deficit has been incorporated into the plan for future years.

Other Budget Pressures

10. The Government Actuary's Department is carrying out a valuation of the Firefighters' Pension Scheme during 2016/17 which could potentially lead to an increase in the employer contribution rate from 2017/18. This has not been factored into the MTFP at this stage as there is no clear indication of the impact (if any) on the contribution rate going forward.

EFFICIENCY SAVINGS

Savings 2016/17

11. In order to arrive at a balanced budget for 2016/17 the following efficiency savings totalling £1.948M were incorporated into the 2016/17 budget:

Table 3: Efficiency Savings for Implementation in 2016/17

Saving	2016/17 £M	RAG Rating
Establishment level at Durham and Bishop Auckland (alternative to full RDS Provision at Spennymoor)	0.270	
Alternative Staffing of Darlington ALP	0.270	
Flexi Officer Review	0.240	
Reduction in Debt Repayments and Interest	0.241	
Reduction in FPS Employer Contributions	0.169	
Reduction to Operational Staffing Pool	0.150	
Senior Leadership Team Restructure	0.140	
Base Budget Review	0.100	
Service Transformation Phase 1	0.092	
Alternative Provision of Officer's Cars	0.079	
Income Generation	0.074	
Reduction in Vehicle Running Costs	0.060	
Reduction in Vehicle Fleet	0.055	
National Insurance Contribution Band Changes	0.008	
	1.948	

12. Based upon the latest available information, the Authority is on track to deliver all of the above savings in 2016/17.

Potential Savings 2016/17 to 2019/20

13. The MTFP set out in table 1 above shows a shortfall in available funding of £1.529M over the plan period. In order to produce a balanced budget, further efficiency savings have been identified through the Authority's Service Transformation Programme. The following potential savings have been identified for implementation during the period 2016/17 to 2019/20:

Table 4: Potential Savings 2016/17 to 2019/20

Potential Saving	2016/17	2017/18	2018/19	2019/20
	£M	£M	£M	£M
Staffing				
Review of Control	0	0.230	0.230	0.230
Restructure of Strategic & Middle Managers	0	0.075	0.075	0.075
Restructure of Corporate Services	0	0.075	0.075	0.075
Capital Financing				
Reduction in Debt Repayments & Interest	0	0.095	0.300	0.300
Collaboration				
Collaboration initiatives with the Police and other partners	0	0.250	0.250	0.250
Income Generation				
Trading Arms Surplus	0.025	0.050	0.075	0.100
Total Potential Savings	0.025	0.775	1.005	1.030
MTFP Deficit	0	-0.745	-1.442	-1.529
Revised MTFP Surplus / Deficit (-)	0.025	0.030	-0.437	-0.499

14. Assuming all of the above savings are achieved, the Authority will still need to identify a further £0.5M of savings in order to set a balanced budget each year. Work is ongoing through the service transformation process to identify further savings, the outcome of which will be considered later this year during the preparation of the 2017/18 budget and revised MTFP.
15. At this stage it is envisaged that all of the potential savings identified are achievable. The key risks and mitigation strategies in relation to each of the potential savings are set out in table 5 below:

Table 5: Potential Savings – Key Risks and Mitigation Strategies

Potential Saving	Key Risks	Mitigation	RAG Rating
Staffing	Staff numbers not sufficient to meet operational needs.	Introduction of a revised staffing model following a robust review of operational requirements. This has now been agreed by elected members and the unions.	
Capital Financing	Insufficient reserves and/or borrowing headroom to fund future capital programme.	Agreed reserves strategy in place. Robust process in place for scrutiny of all bids for future capital expenditure.	
Collaboration	Failure to generate income or deliver operating efficiency savings.	Collaboration statement of intent in place with Durham Constabulary for shared use of facilities. Progress is monitored via a Strategic Board chaired by the PCC and Chair of the Fire Authority. Positive ongoing negotiations at a senior level with NEAS to extend EMR response on a cost recovery basis.	
Income Generation	Trading Arms fail to generate a surplus.	Detailed business plans and income targets in place for the trading arms. Financial position monitored by management and the Board on an ongoing basis.	

16. The Authority's External Auditor has recently issued an unqualified Value for Money conclusion following the 2015/16 audit stating:

'The Authority has an excellent track record of delivering planned savings whilst minimising the impact on service delivery. In 2015/16 savings targets were delivered with an additional £700K underspend against budget after taking into account contributions to reserves. The Authority has already identified a number of potential savings in future years and the gap in the medium term financial plan has reduced to circa £0.5m.'

'Our overall conclusion is that in all significant respects the Authority had in place proper arrangements to ensure it took properly informed decisions and deployed its available resources to achieve planned and sustainable outcomes. Overall the Authority has responded well to the financial pressure it has faced, at a time of unprecedented reductions in public sector spending and continues to have a strong record of delivering savings and keeping within budget.'

A link to the 2015/16 Audit Completion Report can be found here:

<https://www.ddfire.gov.uk/sites/default/files/attachments/CDD%20FRA%20Audit%20Completion%20Report%202015-16%20%28version%20with%20follow%20up%20report%29.pdf>

17. The Authority is committed to protecting front line services and have agreed that a reduction in the number of front line appliances and/or fire stations will only be considered as a last resort when all other options for savings have been exhausted. Should the Authority need to reduce front line service provision in order to balance the budget, the retirement profile of operational staff would allow further staffing reductions to be made without requiring compulsory redundancies.

COLLABORATION

18. The Authority has a strong track record of collaboration with partners and has secured Government funding to progress a number of high profile collaborative projects including:
- The building of the first quad station in the country at Barnard Castle which, when complete, will provide a joint facility for the Fire, Police, Ambulance and Mountain Rescue services.
 - A joint facility with the Police at our Belmont Training Centre for incident command training.
 - The provision of Community Safety Tri Responders at Stanhope where staff work for the Fire, Police and Ambulance services according to demand.
19. In order to maximise the use of the Authority's buildings, a number of fire stations are shared with either the Police and/or the Ambulance Service. Work is also ongoing to explore opportunities for collaboration with a number of other partners to secure further efficiencies to assist in protecting front line service provision.
20. The Service is taking an innovative approach working collaboratively with councils, the police, health providers and charities to meet changing community safety needs. This is illustrated in a short video 'Beyond Blue Lights' produced for the Chief Fire Officers Association (CFOA) conference in September 2016. A link to the Beyond Blue Lights video can be found here:
- <https://www.ddfire.gov.uk/beyond-blue-lights-video>
21. The Authority has signed a Statement of Intent with Durham Constabulary which sets out our intention to work more closely together to enhance co-operation and collaboration. A link to the Statement of Intent can be found here:
- <https://www.ddfire.gov.uk/sites/default/files/attachments/Durham-Police-and-Fire-Collaboration-Statement-of-Intent.pdf>
22. With regard to procurement, the Authority endeavours to ensure that a collaborative approach is taken on a national and regional basis for the purchase of major items of fire service specific items, such as vehicles, equipment and key services. Procurement of uniform and firefighting PPE has been undertaken as part of a regional collaboration

for over 5 years. The last five fire appliances were procured in partnership with 2 other FRS that this Service proactively sought out to establish.

23. The Service has also been nominated as the category sponsor for the fleet category of the Fire Commercial Reform Programme supported by the Chief Fire Officers Association. Wherever possible all other items of a non-fire service nature are purchased from public sector consortia arrangements, taking account of the needs of the service and the aim of ensuring value for money.

FLEXIBLE WORKING

24. County Durham and Darlington is served by 27 front line fire appliances and 16 specialist vehicles based at 15 fire stations. More than 55% of our fire appliances are crewed by on-call (retained) firefighters who are generally located in rural communities, small towns and villages. They also provide the second or third appliance at a number of stations in more urban areas.
25. By continually reviewing our working practices and implementing more efficient ways of working, the Service has been able to protect front line services whilst reducing the cost to the taxpayer. Since 2002/03, despite maintaining the same number of fire appliances and actually increasing the number of specialist vehicles to meet the increasingly diverse range of incidents we attend, the number of wholtime firefighters employed has reduced by 25%, from 411 to 309. Over the same period the proportion of on-call (retained) firefighters employed has increased from 29% to 35% of the total operational workforce.
26. Mixed crewing of fire appliances is well established across the service with retained firefighters providing cover on wholtime appliances through RDS Detachments and wholtime firefighters providing cover on RDS appliances. A number of staff provide wholtime/retained cover and the service make use of both RDS and wholtime staff in roles such as Associate Trainers.
27. The Service staffing model is under continuous review and significant changes in operational working practices have been implemented in recent years to reflect modern working practices. This includes changes to the wholtime shift system to increase productive time, the introduction of a day crewing plus staffing model at 2 stations, the introduction of tri-service responders at Stanhope and the introduction of operational cover contracts and additional voluntary hours arrangements across both the retained and wholtime workforce. An annualised hours duty system has been in place for wholtime staff since 2009 and special appliances are dual crewed by wholtime staff or crewed by RDS staff.
28. The Service currently employs 5 business administration apprentices and 2 apprentice mechanics. Work is underway to develop an apprenticeship scheme for operational firefighters which will offer a comprehensive programme of learning and development on which to build a skilled and flexible workforce aligned to the Service's culture and values.

PERFORMANCE INFORMATION

29. Performance is monitored by management on an on-going basis and considered in detail by elected members at the end of each quarter. A comprehensive suite of performance indicators (PI's) are employed to measure both operational and corporate performance and targets are set with the aim of achieving continuous improvement.
30. During 2015/16, 72% of the strategic PI's met or exceeded their target level and 60% either maintained or improved when compared to the previous year's performance.
31. In 2015/16 the Service responded to 1,343 emergency medical response (EMR) incidents on behalf of the ambulance service as part of a national trial.
32. By focusing our resources on reducing risk in our communities, the number of total incidents attended by the Service has reduced by almost 47% from 11,397 in 2002/03 to 6,053 in 2015/16 (excluding EMR incidents).
33. The Authority commits to publication of transparent performance information. This includes but is not limited to:
 - Budget reports
 - Operational performance reports
 - Statement of Accounts
 - Annual Governance Statement
 - Statement of Assurance
 - Information required by the prevailing Local Government Transparency Code

A link to our financial and performance information can be found here:

<https://www.ddfire.gov.uk/about>

RESERVES STRATEGY

34. In order to assist with the management of the budget over the medium term, the Authority has agreed to adopt a strategy which involves the prudent use of reserves to balance the budget. This approach provides the Authority with flexibility to fully consider its options for implementing savings over the medium term.
35. The reserves strategy is set out in table 6 below and assumes that the MTFP deficits are fully funded from a contribution from reserves over the MTFP period. This is considered a worst case scenario as the Authority will need to agree further savings options for implementation over the MTFP period which, when implemented, will reduce the requirement for reserves to be used to balance the budget.

Table 6: Reserves Strategy 2016/17 to 2019/20

Reserve	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
General Reserve	2.824	2.824	2.824	2.824
Modernisation Reserve				
Opening Balance	2.500	1.878	1.908	1.471
Use of Reserve - MTFP	0.025	0.030	-0.437	-0.499
Redundancy Payments	-0.647			
Closing Balance	1.878	1.908	1.471	0.972
Capital Modernisation Reserve				
Opening Balance	3.056			
Use of Reserve	-3.056			
Closing Balance	0			
Other Earmarked Reserves	1.543	1.543	1.543	1.543
TOTAL RESERVES	6.245	6.275	5.838	5.339

PROGRESS OF THE EFFICIENCY PLAN

36. The Authority is committed to publishing an annual report on the progress of our Efficiency Plan. This will be published on an annual basis on our website alongside our Statement of Assurance.