

FINANCIAL OUTLOOK 2016/17 ONWARDS AND POTENTIAL EFFICIENCY OPTIONS

SUMMARY

1. This report considers the Authority's financial prospects for the years 2016/17 to 2019/20 and the likely level of efficiencies that will be required over that period.

RECOMMENDATIONS

2. (a) That Members receive the report and note the financial challenges for the period 2016/17 onwards;
- (b) That a report is brought before the Authority relating to available Operational Efficiency options following discussion at a Member Day.

CURRENT FINANCIAL POSITION 2014/15 AND 2015/16

3. The Authority's outturn for 2014/15 delivered an underspend of £1.269m and a closing level of total Revenue Reserves of £16.1m.
4. A significant proportion of the Authority's Revenue Reserves are earmarked for a specific purpose. The full schedule is attached at Appendix 1 for Member information.
5. The Authority has set a balanced budget for 2015/16 and a 0% change in the precept/council tax as part of the Government's national initiative to freeze council tax.
6. There is no anticipated let up in the austerity measures in place for the public sector generally and fire and rescue in particular. The Government has initiated a Spending Review 2015 in July with the outcome announcement due on 25 November.

2016/17 ONWARDS

7. The current financial projections for 2016/17, 2017/18, 2018/19 and 2019/20 have been updated based on the latest assumptions and information and are shown in Appendix 2 of this report.
8. The key assumptions applied are shown in the table below:-

Assumptions applied to the Medium-Term Financial Plan for 2016/17 to 2019/20

	2016/17	2017/18	2018/19	2019/20
Pay Awards	1%	1%	1%	1%
External Grant	-10%	-6%	-6%	-6%
Council Tax	2%	2%	2%	2%
Price Inflation				
• Rates/Fuel	5%	5%	5%	5%
• Utilities	6%	6%	6%	6%
• Insurance	5%	5%	5%	5%
• Income	1%	1%	1%	1%
• Other	0%	0%	0%	0%

9. Furthermore, the Authority's financial projections have been updated to incorporate previous decisions relating to the implementation of efficiencies, e.g. the Operational Efficiency Programme outcomes of the 31 January 2014 Special Fire Authority meeting, the Senior Management Review and the Incident Command Review.
10. Members will see from Appendix 2 that there are estimated shortfalls in all years from 2016/17 onwards as follows:-

2016/17	2017/18	2018/19	2019/20
£535k Deficit	£1.035m Deficit	£1.961m Deficit	£2.96m Deficit

SERVICE REDESIGN PROGRAMME – EFFICIENCIES

11. Members will be aware of the important and wide-ranging work on efficiency that is being undertaken by the Service Redesign Programme (SRP) Team at the moment.
12. The SRP Team are leading work which is examining all 'non-fire engine' elements of the Service. This work will be instrumental in partly meeting the budget deficits projected for 2016/17 onwards.
13. Principally, the Authority will need to identify efficiencies of circa £1m between the present time and March 2017 and a further £2m of efficiencies between April 2017 and March 2019.
14. The Authority has a strong track record of delivering sustainable efficiencies and early decision making where possible will ensure changes can be implemented with minimal disruption to the Service.
15. The SRP Team are working with staff and stakeholders to develop options for Members to consider across all areas of the Service, with the exception of the number and location of fire engines. The options relating to fire engine deployment in the Operational Efficiency Programme (OEP) were considered by Members in January 2014 and a number of the possible changes were approved at that meeting. The implementation of those decisions is now complete and, as anticipated, the impact of those changes on risk and response standards performance has been less than predicted, largely due to the fact that all the data sets that Members considered were deliberately calculated as "worst case" scenarios.
16. The SRP Team were not set a target for financial savings, but because the work has been about reviewing how we can deliver the Service in as efficient a way as possible there have been a number of potential savings identified. The Team still have much work to do, but are starting to be able to scope out the range of savings that may be possible by carrying out 'non-fire engine' activities more efficiently. SRP options will be brought before the Authority for approval for an appropriate period of consultation in each area. Principally, the areas in the review currently are:
 - Incident Command – completed;
 - Occupational Health – currently under consultation;
 - Human Resources and Organisational Development – currently under consultation;
 - Service Control – review ongoing;
 - Administration and Data Management – review ongoing;
 - Emergency Response specialisms – review ongoing;

- Emergency Preparedness – review ongoing;
 - Public Safety and Community Preparedness – review ongoing;
 - Personal Development and Training – review ongoing;
 - Corporate Support – review ongoing.
17. It is likely that if all options for change are approved by the Authority the potential savings from the SRP (in addition to those delivered from the Incident Command Review) could be up to £1m over a period of several years. Given the financial position described elsewhere in this paper it is therefore likely that there will need to be further savings beyond the SRP to manage a potential shortfall of a further circa £2.0m by March 2019.
 18. When the OEP was considered in January 2014 Members approved options in Hull, Grimsby, Cleethorpes and Waltham. The decisions made in January 2014 were the culmination of many months of work, whereby Members had considered in detail a series of options before the Fire Authority gave approval to implement.
 19. Following a similar approach to that used by Members in 2013 and early 2014, and in order to mitigate the financial risk to the Authority, Members may require a paper to be brought before the Authority at a future meeting with information relating to any changes which could be implemented to improve operational efficiency and still ensure that the Service meets the response standards set by the Fire Authority. If that is the case then up-to-date data will be used to calculate predicted effects on risk and response performance.
 20. Recent retirements from the Service mean that maintaining crewing levels will be challenging in 2016 onwards. Clearly, given the austere financial backdrop, it would not be prudent for the Authority to recruit new Firefighters if there is a chance that overall numbers may need to be reduced over the next few years and therefore it is now imperative that Members begin to consider further operational efficiencies alongside the ongoing work of the SRP team which is examining the 'non-fire engine' elements of the Service in detail. If we did recruit and then subsequently the establishment was reduced, we would be in a position with supernumerary staff again and be carrying the costs associated with that position for some time.

CONCLUSION

21. The Authority has worked hard to maintain its current sound financial position.
22. 2016/17 onwards will again test the Authority's finances – potentially to a far greater extent than that seen in 2011/12 to 2015/16.
23. The delivery of further efficiencies will remain a priority for the Authority from now into the medium-term and again all areas of the Service will need to be considered to meet the likely challenges that the Spending Review 2015 will bring.
24. Further financial update reports will be brought to Members during the budget setting cycle for 2016/17 which will culminate in February 2016.

STRATEGIC PLAN COMPATIBILITY

25. The Authority's Medium-Term Financial Plan dovetails with the Strategic Plan and IRMP.

FINANCIAL/RESOURCES/VALUE FOR MONEY IMPLICATIONS

26. The position for the medium-term will be kept under continuous review with regular reports from the Authority's S.151 Officer.

LEGAL IMPLICATIONS

27. Statutorily the Authority must set a balanced budget. Part of this process also requires the S.151 Officer to comment on the 'robustness of the estimates', 'the adequacy of reserves' and the in-year 'budget monitoring arrangements'.

EQUALITY IMPACT ASSESSMENT/HR IMPLICATIONS

28. No direct issues arising.

CORPORATE RISK MANAGEMENT IMPLICATIONS

29. Setting a sustainable and prudent budget for the Authority is fundamental in mitigating one of the key risks in the Strategic Risk Register.

HEALTH AND SAFETY IMPLICATIONS

30. No direct issues arising.

COMMUNICATION ACTIONS ARISING

31. Key messages on the Authority's financial position are regularly communicated to all staff.

DETAILS OF CONSULTATION

32. The key messages within this report have been discussed at the CMT as a backdrop for future service planning.

BACKGROUND PAPERS AVAILABLE FOR ACCESS

33. Medium-Term Financial Plan 2015/16 to 2019/20.

RECOMMENDATIONS RESTATED

34. (a) That Members receive the report and note the financial challenges for the period 2016/17 onwards;
- (b) That a report is brought before the Authority relating to available Operational Efficiency options following discussion at a Member Day.

D SANDERS

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