

Kent and Medway  
Fire and Rescue Authority

Efficiency Plan

2016/17 – 2019/20

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## **Background**

As part of the Local Government Finance Settlement announced earlier this year, the Government offered single-purpose fire and rescue authorities (FRAs), for the first time, firm four-year funding allocations to 2019-20 in return for robust and transparent Efficiency Plans. This was a welcome offer and will provide the Authority with a greater degree of certainty and stability over a proportion of its funding for the next four years. It will also support the sustainable approach that the Authority has strived to achieve over the medium term, which has ensured that it can take a proactive approach to service delivery and progress significant collaborative projects with many local partners, for the benefit of the local community.

## **Purpose of the Efficiency Plan**

The intention of the Plan is for it to be a summary document that provides transparency by bringing together a variety of information, covering areas such as savings, collaborative working, reserves, flexible working practices and performance information.

As would be expected of a high performing Authority, much of this information is already published in significant detail in a number of other documents, all of which are already available on the Authority's website. Links to the relevant documents are incorporated within this Plan for ease of access.

## **Publication**

Many documents referred to in this Efficiency Plan are published and updated on an annual basis. It is therefore proposed that, rather than duplicate the data in future years in an Efficiency Plan, the numerical data contained in the Plan will in future be incorporated within the Authority's Budget Book and Medium Term Financial Plan, which is reported to Members at the annual budget meeting held in February each year, and published on the Authority's website. Progress being made in achieving proposed savings, in collaborative working, the Workforce Strategy and performance will all be incorporated within the Governance Assurance Statement, which is also published on the Authority's website and reported to the General Purposes Committee meeting held in June/July each year.

## Plans

**Corporate Plan** - Every year the Authority publishes a Corporate Plan which is its main strategic planning document, providing a clear statement of the organisation's vision, aim and objectives. The current Plan is structured around the Authority's primary strategies and includes reference to how the Authority continues to work to improve its efficiency and effectiveness whilst ensuring that it delivers high quality and value for money services. It details the progress made during the year to improve the organisation but also incorporates all the activities detailed in the current Safety and Wellbeing Plan.

This document can be found here: <http://www.kent.fire-uk.org/about-us/plans-policies-and-performance/corporate-plan>

**Safety and Wellbeing Plan** – This Plan sets out how the Authority intends to redesign its services to meet the challenges ahead, so it not only provides an update on the progress being made but also incorporates new things to come. It sets out how the Authority will work with its many partners and the benefits this is intended to reap for the local community. The public, businesses, staff and key stakeholders are all invited to comment on the draft Plan. The Plan is not published every year, only when significant changes are proposed. It is aligned with the budget and Medium Term Financial Plan, and Members of the Authority are asked to approve both at the same meeting.

This document can be found here: <http://www.kent.fire-uk.org/about-us/plans-policies-and-performance/safety-and-wellbeing-plan-2016-18>

**Medium Term Financial Plan (MTFP)** - This is also a key document which underpins the Safety and Wellbeing Plan, by prescribing the funding that is available to resource the proposed activity over the medium term and how the Authority plans to spend it. As part of the MTFP a Budget Book is produced to provide further detail on the assumptions incorporated within the MTFP. In future years the additional financial details set out in this Efficiency Plan will be incorporated within the annual Budget Book.

This document can be found here: <http://www.kent.fire-uk.org/about-us/financial-information/medium-term-financial-plan>

## Funding Assumptions

The MTFP sets out the anticipated funding for the next four years, and the table below expands on some of the information provided in the MTFP. The Government has offered FRAs a guaranteed four-year funding settlement in order to provide increased certainty and to aid planning. However, this only guarantees the minimum amount of revenue support grant (RSG) receivable. Business rates receivable are not guaranteed and are subject to volatility depending on factors such as the level of growth and appeals against valuations.

<b>Settlement Funding Assessment (All figures are £000 unless stated)</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
Baseline Funding - Business Rates / Top Up	13,714	13,842	13,907	14,318	14,775
Revenue Support Grant (RSG)	14,361	11,940	8,864	7,262	6,319
<b>Settlement Funding Assessment Total</b>	<b>28,075</b>	<b>25,782</b>	<b>22,771</b>	<b>21,580</b>	<b>21,094</b>
Additional Transitional Grant included in the Grant settlement		141	178		
<b>Council Tax Forecast</b>					
Band D Council Tax (£)	41,254	42,918	44,160	45,477	46,817
Actual / Assumed Council Tax base increase on previous year (£)	733	876	437	450	464
Yearly Council Tax Precept Increase (%)	1.35	1.35	1.35	1.44	1.44
Collection Fund (Council Tax and business rates) (£)	646	451			
<b>Estimated Total Council Tax Income</b>	<b>41,900</b>	<b>43,369</b>	<b>44,160</b>	<b>45,477</b>	<b>46,817</b>
Council Tax Band D Precept Increase (%)	1.95	1.91	1.88	1.96	1.93
Growth in Council Tax Base Yield to Previous Year (%)	1.81	2.08	1.00	1.00	1.00
<b>TOTAL FUNDING</b>	<b>69,975</b>	<b>69,292</b>	<b>67,109</b>	<b>67,057</b>	<b>67,911</b>

As can be seen from the figures above, the level of RSG that the Authority can expect to receive over the coming years is likely to reduce, which means that there will be an increased reliance on the money raised from Council Tax and business rates. The Authority's current plans are that it will continue to increase Council Tax each year, but that the increase will remain below the Government-set referendum limit (which is currently a maximum annual increase of less than 2%).

## Budget Assumptions

The table below expands on the information set out in the MTFP detailing the areas in which additional funding pressures are expected to arise in the next four years in addition to the main sources of income (over and above the funding detailed on the previous page).

<b>Employee Cost Pressures (£'000)</b> <i>(All figures are £000 unless stated)</i>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
Pay Awards	870	84	465	470	456
Increments	117	75	96	81	56
Bank Holiday pay adjustments between years	116	-205	152	-100	49
Pensions and ill-health costs	147	-147	68	90	-15
Apprenticeship levy			180		
Pension auto-enrolment			167		
National Insurance contracted-out rate abolished		840			
<b>Total Employee Costs</b>	<b>1,250</b>	<b>647</b>	<b>1,128</b>	<b>541</b>	<b>546</b>
<b>Cost Pressures (£'000)</b>					
Non-Pay inflation	351	207	209	214	218
Investment in revenue and capital assets	486	2,113			
<b>Collaboration and Efficiency initiatives</b>	<b>737</b>				<b>90</b>
<b>Total Non-Pay Bill Costs</b>	<b>1,574</b>	<b>2,320</b>	<b>209</b>	<b>214</b>	<b>308</b>
<b>INCOME</b>					
<b>Service Income</b>					
Additional income from rental of telecom masts		-40			
Increase in investment income		-70			
<b>Total Income</b>	<b>0</b>	<b>-110</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Financial Challenge Before Efficiencies</b>	<b>2,824</b>	<b>2,857</b>	<b>1,337</b>	<b>755</b>	<b>854</b>

The majority of the employee cost pressures are beyond the control of the Authority as they are the cost impact of applying various aspects of legislation, such as the changes to national insurance rates as a result of the contracted-out rate being abolished. These additional costs increase the level of savings that the Authority needs to find between now and 2019-20.

The Authority receives little additional income in excess of that provided by Government Grant, business rates or Council Tax. Interest rates are very low so deposits generate small amounts of interest but there has been a slight increase in the income from the rental of aerial masts. The Authority has very few opportunities to generate additional income without incurring additional overhead costs, so more often than not the investment in additional time and money is not sufficient to make it worth pursuing these options. The Authority considers that it is a better use of public funds to focus on providing a quality frontline service to the people of Kent and Medway.

## Cashable and Non-Cashable Savings

The Corporate Plan and the Safety and Wellbeing Plan (links provided above) detail a number of cashable and non-cashable savings that have arisen over recent years and others that are expected in the future. The Corporate Plan highlights that over the last six years the Authority has saved approximately £17m, through a combination of pay and non-pay savings. The current forecast is that a further £8m of savings will be required between 2016/17 and 2019/20. So the challenge is to ensure that these savings are achieved, whilst still providing a high-quality and effective service. Not all projects deliver cashable savings, but in some cases the benefit to the community will far outweigh any cashable saving that could be achieved, such as the ongoing work by fire crews to support the South East Coast Ambulance Service in responding to medical emergencies. The Authority is proactive in progressing opportunities to collaborate with a variety of partner agencies, providing that there is a benefit for the local community.

The savings already achieved in 2015/16 and those planned for the current and future years are detailed in the table below.

<b>Cashable Savings / Efficiency Assumptions</b> <i>(All figures are £000 unless stated)</i>	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Reduction in employer contributions arising from the changes in the Firefighter CARE Pension Scheme</b>		426			
Changes to operational crewing arrangements / duty systems	869	986	724	375	0
Other operational staff savings	762	0	0	0	0
Non-operational staff savings	505	78	0	0	0
<b>Use of reserves for smoothing impact</b>	644	770	70	-110	-60
<b>Collaboration and Efficiency initiatives</b>	0	354	147	288	60
Savings from a range of non-pay budgets	591	926	486	254	0
<b>Reduced funding for Investment and Capital assets</b>	0	0	2,093	0	0
<b>Total</b>	<b>3,371</b>	<b>3,540</b>	<b>3,520</b>	<b>807</b>	<b>0</b>
<b>Forecast Net Position (surplus/(deficit) after efficiency savings</b>	<b>547</b>	<b>683</b>	<b>2,183</b>	<b>52</b>	<b>(854)</b>

The largest proportion of the savings arise from staffing changes, which are expected to arise as a result of a combination of staff either leaving or retiring from the organisation plus various changes in crewing arrangements. Flexible rostering, for example, allows the Authority to maintain the same service to the public, but with fewer firefighters based at fire stations. Flexible rostering has also been deployed in the Authority's 999



control centre. The Authority does everything possible to avoid the need to make compulsory redundancies and so it reviews each and every vacancy (operational and support staff) that arises to determine whether the post needs to be filled or a saving can be made. As many of the staffing savings are achieved by staff retiring from the organisation, this forecast is incorporated within the emergency response reviews that are undertaken on a regular basis to ensure that the frontline service is as efficient and effective as possible. Regular reviews across all support teams are also undertaken to ensure that the size and structure of the teams are fit for purpose.

## Key Risks and Mitigating Strategy

Inevitably there is always a risk that the expected savings may not materialise. The Authority regularly assesses and reviews its potential risks, and these can be found in the Authority's risk register.

This document can be found here: <http://www.kent.fire-uk.org/resources/assets/inline/full/0/8101.pdf>

## Capital Expenditure

It is important that the Authority also maintains its infrastructure, so it can ensure that its buildings, equipment and vehicles remain fit for purpose. The MTFP contains the details of the capital programme over the medium term, but further information on its funding is provided in the table below.

<b>Estimated Capital Expenditure</b> <i>(All figures are £000 unless stated)</i>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
Capital Expenditure	12,568	7,673	10,408	8,398	12,615
<b>Capital Expenditure Financing</b>					
Reserves	4,817		1,081		2,999
Government grants and other contributions	896		37		
Direct Revenue Contributions	6,855	7,673	9,290	8,398	9,616
<b>Total</b>	<b>12,568</b>	<b>7,673</b>	<b>10,408</b>	<b>8,398</b>	<b>12,615</b>

The majority of capital expenditure over the medium term relates to the building of replacement fire stations and refurbishments of others, together with the replacement of a number of frontline fire engines and other vehicles. Details of all of these projects can be found in the MTFP, Safety and Wellbeing Plan and the Corporate Plan.

## **Collaboration**

The Authority has for some time been pursuing opportunities to collaborate with partner agencies, wherever possible to do so. The Corporate Plan lists a whole range of major changes that have been introduced over recent years, not least the co-location of the Authority's 999 Control Room to the joint Fire and Police Control Centre at Kent Police HQ, and more recently the migration of the Authority's Control operating system to the same platform as Kent Police's. A joint Kent Resilience Team and a joint Kent Community Safety Team have also been established and are proving to be very effective. Many other partnerships have been established and are proving to be most beneficial. Collaboration will not always lead to cashable savings however, but any collaboration project is tested to ensure that it improves the effectiveness of either the Authority or its partner agency. For example, the Authority now often supports Kent Search and Rescue when they are searching for missing persons, using the Authority's drone capability and staff. This has led to people being located very quickly and before they come to harm.

## **Workforce Strategy**

The Corporate Plan describes the Authority's five key strategies, one of which is the Workforce Strategy. This Strategy describes how the Authority plans to train, develop and maintain the competence of its staff across the organisation. It also considers how to deliver enough flexibility in the workforce so that the Authority can continue to face the challenges ahead and, importantly, it details a proactive approach to ensuring that health and wellbeing is a high priority in the workplace.

This document can be found here: <http://www.kent.fire-uk.org/about-us/plans-policies-and-performance/corporate-plan/workforce-strategy/>

## **Performance Information**

The Authority publishes performance information openly and transparently. Performance reports are presented to every meeting of the Planning and Performance Committee, which take place three times a year. These reports cover a whole variety of detailed performance information, from operational response, to corporate health and wellbeing of staff. Targets are generally set for three years as annual performance can be volatile where smaller data-sets are used. Some targets cover a five-year period. The Authority also contributes data to other agencies, and uses other agencies data to measure its own performance. An example is statistics on the number of people killed or seriously injured on Kent's and Medway's roads, information which is collected by the Police and top-tier local authorities.

This document can be found here: <http://www.kent.fire-uk.org/about-us/fire-authority/meeting-information/agendas-reports-and-minutes-archive/planning-and-performance/>

The Authority also produces an annual Governance Assurance Statement <http://www.kent.fire-uk.org/about-us/financial-information/statement-of-accounts/>

## Use of Reserves

Reserves are an essential part of good financial management. They allow the Authority to manage unpredictable financial pressures and plan for its future spending. The Authority has two different types of reserves: General Reserves and Earmarked Reserves. The Authority's policy is to maintain General Reserves at approximately 6% of the net revenue budget or £4m, whichever is the greater. However, no limits are set for Earmarked Reserves as they are established for specific circumstances. The Authority reviews its requirement for reserves at its February meeting each year. However, the table below sets out the anticipated reserve levels over the medium term.

This document (annual review of reserves) can be found here: <http://www.kent.fire-uk.org/resources/assets/inline/full/0/7497.pdf>

<b>Estimated Financial Reserves Levels</b> <i>(All figures are £000 unless stated)</i>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
General Fund Balance – year end 31 March	4,200	4,150	4,030	4,020	4,070
Earmarked General Fund Reserves – year end 31 March	24,580	20,921	16,117	14,341	8,841
Expected Use of Earmarked Reserves - in year	-1,970	-3,659	-4,804	-1,776	-5,500

A large amount of the Earmarked Reserve is used to help fund the capital programme.