

EAST SUSSEX FIRE AUTHORITY

Date 8 December 2022

Title of Report Medium Term Financial Plan Update – Draft Savings Proposals

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Background Papers Strategic Service Planning and Medium Term Financial Plan Update 2023/24 to 2027/28 – Senior Leadership Team, 18 October 2022

2023/24 to 2027/28 Strategic Service Planning and Medium Term Financial Plan – Fire Authority, 8 September 2022

Revenue and Capital Budget 2022/23 and Capital Programme 2022/23 to 2026/27 Monitoring at Month 6 (end September) – Policy & Resources Panel, 10 November 2022

Appendix 1. Draft Savings Proposal Appraisal – **CONFIDENTIAL** by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 in that the information relates to the financial or business affairs of any particular person (including the authority holding that information)

Implications (please tick ✓ and attach to report)

CORPORATE RISK	✓	LEGAL	✓
ENVIRONMENTAL		POLICY	✓
FINANCIAL	✓	POLITICAL	✓
HEALTH & SAFETY		OTHER (please specify)	
HUMAN RESOURCES		CORE BRIEF	

PURPOSE OF REPORT To brief the Fire Authority on current draft savings proposals designed to address the funding gap identified in the Medium Term Financial Plan for 2023/24.

EXECUTIVE SUMMARY This is the first report to the Fire Authority presenting draft savings proposals following an updated Medium Term Financial Plan. These options address the potential funding gap identified in the Strategic Service Planning and Medium Term Financial Plan presented to the Senior Leadership Team on 18 October 2022, which called for urgent review of all budget areas in order to identify savings opportunities. These

proposals may be included in the next Community Risk Management Plan.

The Fire Authority is not being asked to make any decisions at this stage, however a refreshed list of draft proposals will be included as part of the budget papers that will be presented at the Fire Authority meeting on 9 February 2023.

The Star Chamber process undertaken during September identified service pressures, bids and savings proposals of £0.985m. The illustrative budget has been reviewed following Star Chamber and further analysis of price inflation resulting in a revised savings requirement of £3.262m.

The current Integrated Risk Management Plan (IRMP) was agreed by the Fire Authority at its meeting on 3 September 2020 to deliver savings and efficiencies in the revenue budget base of £0.525m by 2025/26 (£1.125m in total over the period 2020/21 – 2025/26) and a reduction in capital spend of £0.568m. These figures were subsequently revised in a report to Scrutiny & Audit Panel on 20 January 2022 with the revenue budget savings reducing to £0.349m by 2025/26 (£0.972m over the period 2020/21 – 2025/26). The saving on the revenue base budget is expected to rise to £0.578m per annum by 2028/29.

RECOMMENDATION

Fire Authority is recommended to:

- i. agree further development of the savings proposals;
- ii. agree a suite of developed savings proposals be returned to the Fire Authority at its meeting on 9 February 2023 for approval as part of the final budget proposals for 2023/24; and
- iii. agree that the proposals in (ii) above should identify where formal public consultation is required.

1. INTRODUCTION

1.1 This is the first report to Fire Authority on draft savings proposals to address the funding position identified in the revised Medium Term Finance Plan (MTFP), including the results from the Star Chamber process. These proposals may be included in the next Community Risk Management Plan.

1.2 An illustrative update for 2023/24 budget was presented to the Fire Authority at its meeting on 8 September 2022, this indicated a potential savings requirement for 2023/24 of £3.049m (Appendix 1 - CONFIDENTIAL).

1.3 Subsequently pay offers for 2022/23 have been made, these have exceeded our current budget provision but are broadly aligned with the forecast included in the September Fire Authority paper. The Green Book pay award has been agreed whilst the Grey Book pay offer has been rejected and the Fire Brigades Union is balloting for industrial action. The Government has confirmed that there will be no additional funding provided to support these pay offers.

2. Financial Position

2.1 An illustrative budget for 2023/24 was presented to the Fire Authority at its meeting on 8 September 2022, indicating a savings requirement of £3.049m.

2.2 The Star Chamber process undertaken during September scrutinised all areas of the service, and has identified service pressures, bids and savings proposals of £0.985m. The illustrative budget has been reviewed following Star Chamber and further analysis of price inflation resulting in a revised savings requirement of £3.262m.

2.3 Officers are continuing to review the Star Chamber proposals for pressures, bids and savings so the resulting net position will change.

2.4 There were no direct references to the fire service in the Chancellor's Autumn Statement on 17 November 2022. Some key headlines in relation to local authority funding were:

- Increased council tax flexibilities for local authorities: 3% basic plus 2% Adult Social Care precept. Principles will be set out in the provisional local government finance settlement in December. It seems reasonable to assume that the 3% basic flexibility will also apply to fire services. An increase of 2.99% would give us £0.294m additional funding in 2023/24. The Office for Budget Responsibility assumes that this higher threshold will remain in place for 5 years but there is no confirmation of this from Government at this point.
- Funding for both the Department for Levelling Up, Housing and Communities (DLUHC) and the Home Office has increased (Local Government Resource Departmental Expenditure Limit (DEL) to increase by 33% from 2022-23 to 2023-24. The Home Office DEL to increase by 5.5% from 2022-23 to 2023-24). However the main areas mentioned for increases in spend do not include fire.
- Business Rate multipliers frozen in 2023-24 – Local authorities to be compensated in the usual way. National revaluation will be applied from 1 April 2023 but there will be transitional schemes to damp the impact of increases. Additional reliefs will also reduce Business Rate bills for many businesses. The review of Business Rates has been delayed until 2025. What this means in the round is not yet clear, however there is a risk that business rates on our estate will increase (as they did in 2017 as the burden of business rates shifted toward the south). Implications for Settlement Funding Assessment are not clear until the Provisional Local

Government Finance Settlement is published week commencing 19 December 2022.

2.5 On this basis there is no reason to assume any change to our existing modelling for 2023/24 other than the potential to increase council tax income by just under £0.3m (should the Authority agree to increase council tax by the maximum allowed).

2.6 Further key announcements are expected as follows:

- w/c 19 December 2022 – Provisional Local Government Finance Settlement (LGFS)
- 31 January 2023 – final council taxbase, business rates and collection fund figures

2.7 On that basis it remains both necessary and prudent for the Authority to plan on the reasonable worst case scenario that it will need to close a budget gap of the order of £3m in 2023/24.

2.8 The Estates and Fleet capital programme totals £31.623m over the current year and MTFP period. Further analysis is required to understand the associated ongoing revenue pressures.

Pay Award 2022/23

2.9 The budget provided for 2% pay awards across gold, grey and green book staff and this is the amount included within the current forecast position. However, with high inflation rates, there is pressure from representative bodies for significantly higher pay awards.

2.10 Green book staff have been offered and accepted a pay rise of £1,925. It is expected the additional pressure will be £275,000 based on the current pay forecast.

2.11 Grey book staff have been offered a pay rise of 5%. Based on the current pay forecast for grey book staff this would create an additional pressure of £410,000 in 2022/23, resulting in a full year effect pressure of £550,000.

Star Chambers

2.12 The Star Chamber process undertaken during September provided an opportunity for each Assistant Director (AD) along with senior managers to review their service/business plan priorities and to determine the respective financial implications.

2.13 The Star Chambers, chaired by the Treasurer, included a combination of Principal Officers, Service and Finance officers to critique and undertake constructive challenge to service proposals. Each AD was invited to present their Service priorities and financial implications in three categories: Service pressures, bids for new resources and savings proposals.

2.14 The outcomes of the Star Chambers have been consolidated and pressures up to the value of £1.238m were identified, new bids for resources of up to £0.468m and savings proposals of up to £0.721m for 2022/23. This has resulted in a net impact of £0.985m for 2022/23.

2.15 The position for each directorate for 2022/23 is shown in the following table:

	Pressures (£)	Bids (£)	Savings (£)	Total
Operational Support & Resilience	174,185	50,000	(281,300)	
People Services	232,515	101,290	(60,950)	
Planning and Improvement	4,650	191,260	(3,000)	
Resources/Treasurer	726,666	49,140	(352,560)	
Safer Communities	99,800	76,300	(23,157)	
	1,237,816	467,990	(720,967)	984,839

2.16 The 2023/24 illustrative budget has been revised to indicate Star Chamber outcomes and further analysis of price inflation. This reflects the specific excess inflation pressures identified during Star Chamber and provides a lower level of excess inflation provision for other areas. This will need some further analysis before the budget is set.

	23/24
Pressures	1,238
Bids	468
Savings	(721)
	985
Illustrative 23/24 Budget Savings Requirement	3,049
Removal of Firelink grant (included in Star Chamber)	(142)
Removal of 2022/23 Price inflation	(681)
Removal of 2023/24 Price inflation	(363)
2022/23 Price Inflation	184
2023/24 Price Inflation	230
	3,262

2.17 Finance is also reviewing all generic spend and income budgets to identify additional savings and pressures not identified during the Star Chamber process.

2.18 In addition, the following still need to be considered/calculated:

- Impact on budget of staff increments
- Impact on budget of vacancy factor on support staff pay
- Interest receivable on investments

- Revenue impacts of capital programme including increase in borrowing costs
- Wholtime firefighter recruitment
- Excess inflationary pressures on utilities for 2023/24

3. Managing Revenue Budget Pressures in 2022/23

3.1 Whilst there is still work to be completed to understand the expected outturn forecast, reported as an overspend of £0.253m current analysis indicates additional pressures of between £0.9m and £1.2m. Although current indications suggest the pressure will be at the lower end of the scale with known pressures relating to pay.

3.2 SLT agreed the following actions at its July meeting:

- Vacancy Management would be reviewed immediately and started to be put in place in the coming months. Workforce Planning Group would be used as mechanism to:
 - approve recruitment to all vacancies
 - approve the use of agency staff
 - have oversight of overtime spend (with particular focus on Safer Communities and Training)
 - review and agree forecasts for operational (grey book) strength
- Management of discretionary spend would also be a key focus and the Senior Leadership Team agreed that as part of the Period 4 budget monitoring:
 - all budget managers would review with their Finance Business Partner opportunities to manage underspends on non-pay spend in 2022/23 with a particular focus on areas such as training, estates maintenance and equipment (Information Technology and Engineering)
 - the finance team would review corporate opportunities to manage generic spend e.g. agency staff, conferences, catering, accommodation/venue hire, printing etc.

3.3 There are a number of areas of potential flexibility within the 2023/24 revenue budget.

3.4 The proposed 2023/24 revenue budget includes:

- £1.00m contribution to the Capital Programme Reserve
- £0.274m to top up general balances following draw down from the reserve in 2021/22
- A contingency budget of £0.352m

3.5 These actions alone will not address the projected shortfall, resulting in the requirement to take significant and far-reaching measures to the structure of the Service and the activities it carries out. Use of these measures on top of funding 2022/23 pressures from reserves will significantly reduce the Authority's financial

flexibility and ability to invest. In order to ensure financial stability for the future the Authority will not only need to identify and deliver the savings needed to address the potential budget gap it will also need to consider how it rebuilds its reserves.

3.6 In addition, some of the options identified in Appendix 1 (CONFIDENTIAL) will require public and internal consultation, and it is likely that few will be able to be implemented by 1 April 2023. On this basis the Authority will need to identify one-off measures to smooth the implementation of any savings plan, for example through the use of the flexibilities identified in para 3.3 above or through a further review of investment plans and / or the use of earmarked reserves. The proposals to address the potential £3m funding gap are the principal subject of this paper and will be included in the next Community Risk Management Plan.

4. Savings proposals to address the Medium Term Finance Plan

4.1 The long-list of draft proposals is not exhaustive as further options will be identified, but has been developed following broad principles:

1. In-year temporary measures are required to deliver savings for the following year
2. Total savings requirement approximately £3m to meet reasonable worst case scenario
3. All areas of the organisation need to be reviewed to ensure savings required
4. Some options likely to require formal public consultation
5. A list of all potential areas of saving being developed, including the previous Integrated Risk Management Plan (IRMP) proposals
6. The list of potential savings assessed against:
 - Community Risk
 - Financial Saving
 - Political support
 - Time to implement
 - Staff Impact
 - Legal
7. The current IRMP may need to be refined to support the implementation of the initial £800K and remainder through the life of the MTFP
8. Some of the changes may need to move at pace to reduce budget impact to Service

4.2 Accompanying the long-list, opportunities have been identified which would enable the service to improve. These opportunities have been developed such

that selected savings options can be implemented with reduced impact, or to ensure any impact on public facing service delivery is minimised

- 4.3 The long-list of options is included in the confidential appendix of this report. Following approval, further detailed assessment of the options will take place including, where necessary, risk modelling, financial appraisal, consultation and an implementation plan will be developed.
- 4.4 The Service completed a comprehensive review of operational risk in 2019-20, modelling community risk and vulnerability across East Sussex and Brighton & Hove. This risk modelling remains current, and where necessary will be refreshed as relevant new data becomes available. There is therefore no need at this stage to develop a completely new Community Risk Management Plan (CRMP). Some of the options in the long-list, if selected to be taken for further development, may require a refresh of the risk modelling, and this will be carried out if necessary.
- 4.5 Local elections will take place in Brighton & Hove on 4 May 2023, therefore if there is any required public consultation on any proposals it will take place after the local elections are complete.