

**Summary Medium Term Financial Strategy
2014/15 to 2016/17**

Greater Manchester Fire and Rescue Authority

Summary Medium Term Financial Strategy 2014/15 – 2016/17

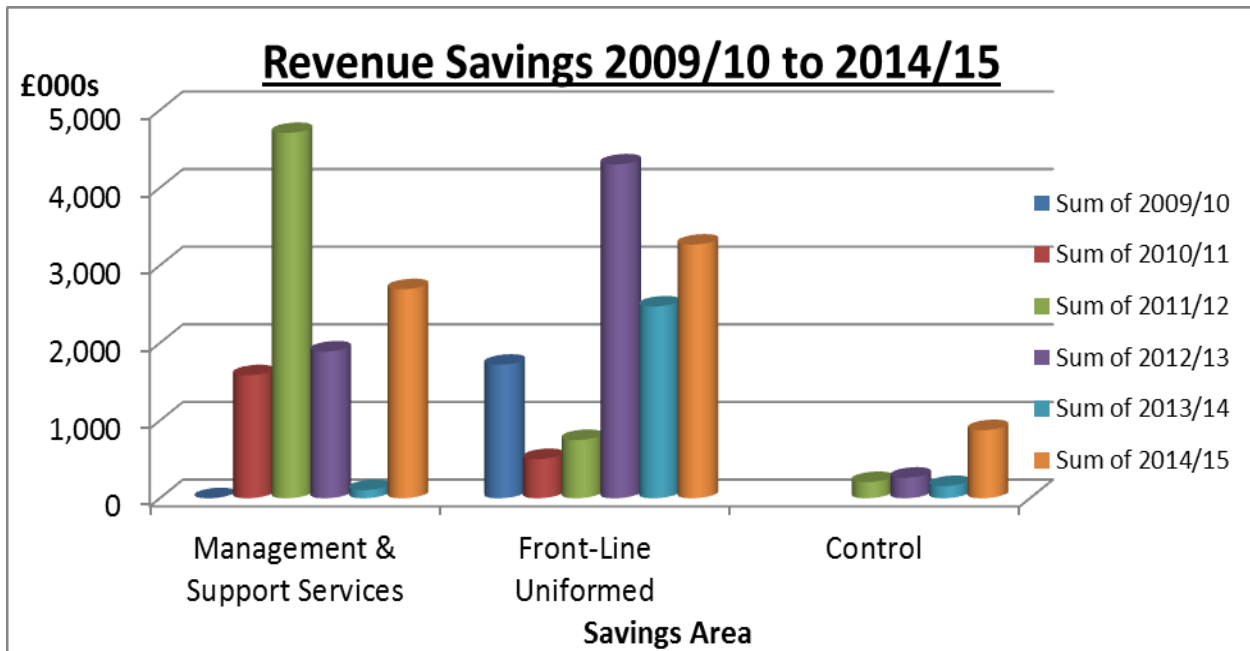
Introduction

Our budget requirements for 2014/2015 were approved by the Fire Authority in February 2014 along with our expected requirements through to 2016/2017.

A financial model to illustrate reductions in central government grant and the impact on the overall financial position of the Authority is incorporated into this strategy.

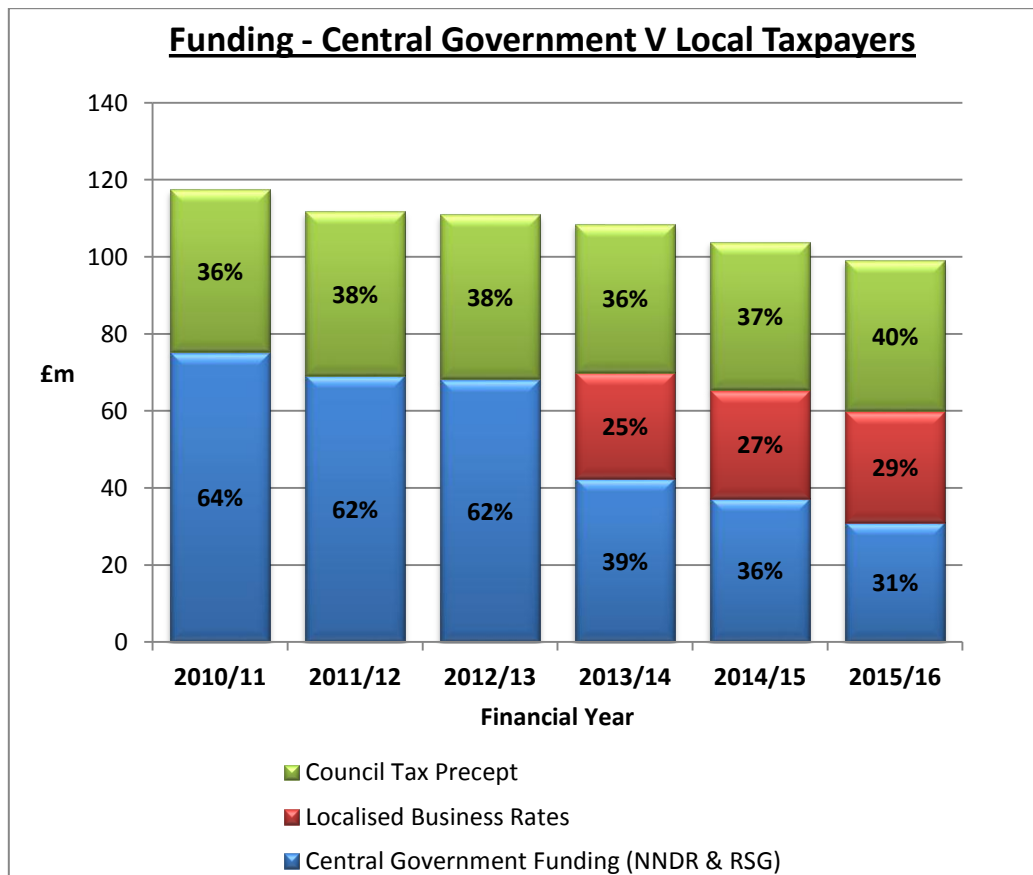
There are remaining unknown factors for the medium term as it is highly likely that any future government will retain broadly the same control total figures until 2017/18 as part of the ongoing national deficit recovery strategy. It is helpful to understand the financial prospects of the Authority over the medium term using realistic figures based on the best information currently available and how that will shape our corporate strategy for the next three to five years.

The Authority savings strategy has focussed on driving efficiencies from managerial and back office budgets in the first instance, followed by reviewing service delivery savings opportunities. Having completed one full cycle of this process in the last three years with the final service delivery savings being delivered in 2014/15, the balance will be found from back office budgets.



The figures in the settlement for 2014/15 include higher cuts than previously anticipated. There is the impact of the additional 1% local government reduction for 2014/15 which reduces the previous grant income estimates by £0.646m. The settlement consultation also indicates that the Settlement Funding Assessment (SFA) is subject to the overall cuts within the Spending Review control totals. Previous assumptions were that the Revenue Support Grant element only would be subject to the spending cuts. Initially it had been thought that the Council Tax Support Funding element would be increased by RPI. Whilst this is accurate, the Revenue Support Grant has been reduced by a higher percentage in the consultation so that the total SFA is reduced in line with the spending cuts. The Business rates RPI has been capped at 2% as per the Autumn Statement. The shortfall will be made up by a S31 grant to the Authority. At this stage it is unclear if this will continue in the base funding from 2016/17.

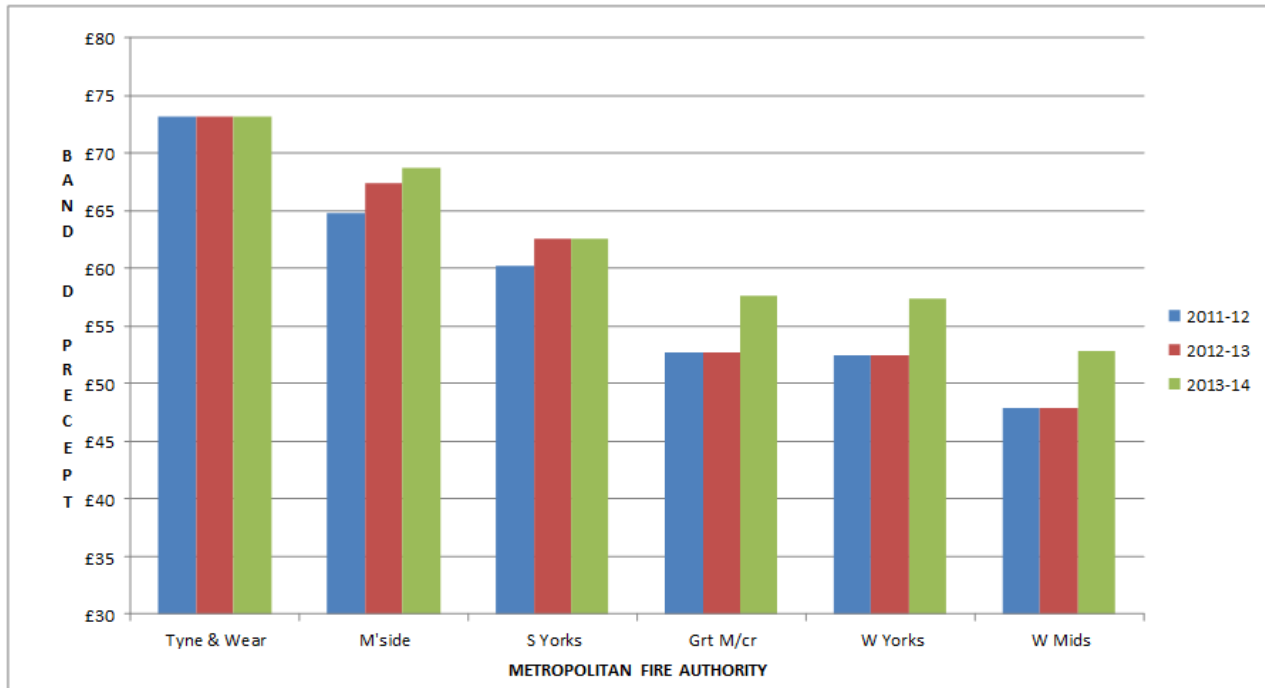
There are to be three bidding opportunities where the Authority can apply for grant funding for 2015/16. These are indicated by CLG to be a Capital Transformation Fund of £45m, a Resource Transformation Fund of £30m and a Local Authority Transformation Fund of £100m. The first two of these funds being specifically for the Fire sector and the latter for all Local Government. These grants will be S31 grants for the financial year 2015/16. If successful in being awarded any of these grants then the current financial strategy will be updated to reflect the additional income. Many of these funds were previously core funding and as is the case in wider local government these are effectively being top sliced and recycled – often for a limited period.



Key Points Relating to the Medium Term Financial Strategy Model

- Precept Freeze 2014/15 and acceptance of the Government Freeze Grant

The below chart shows the precept levels for Band D for the English fire and rescue authorities and GMFRS is one of the lowest charging.



- 1% pay award inflation 2014/15 to 2016/17
- 2.5% price inflation for the majority of non-pay expenditure (Electricity 10%, Gas 5% and Contracted Items at RPI as appropriate)
- Variations to Budgets 2014/15
 - £0.100m to add an Additional Bank Holiday falling in 2014/15
 - -£0.070m Ill Health Retirements- previously uplifted in 2013/14 for expected costs
- Unavoidable Cost Pressures 2014/15
 - £0.300m Firefighter Competent Pay
 - £0.150m Non-Uniform Scale Point Increments
 - £0.060m Maintenance of Mobile Display Terminals
 - £0.031m Vector Command System
 - £0.010m Egress Internet Security System
 - £0.079m ICT Restructure Costs (part of savings review)
 - £0.070m Increased Employers Pension Contribution – LGPS including overtime
 - £0.120m Increase in Employers Contribution %- LGPS
 - £0.245m Operational Training Site
- Efficiency saving Items 2014/15 -£6.836m (see following table)

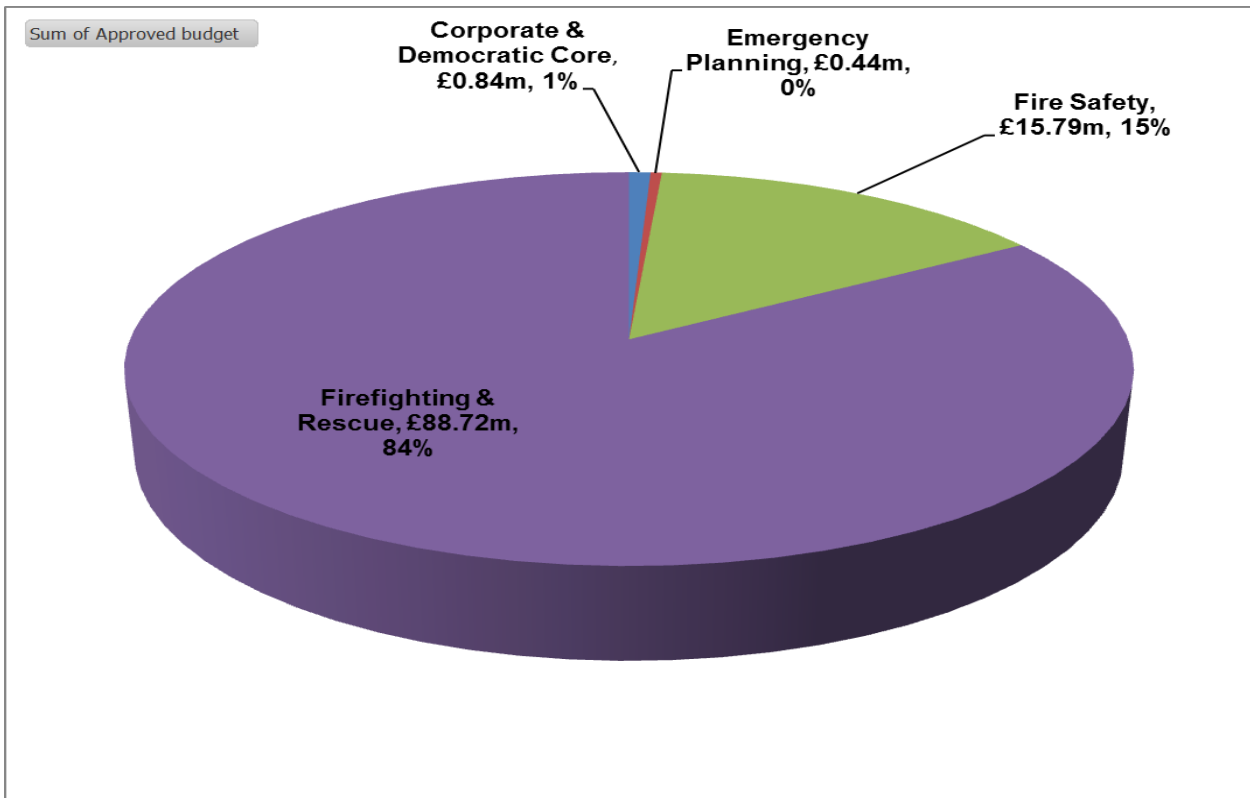
Efficiency Items - Details					
Directorate/ Details		2014/15 £000s	2015/16 £000s	2016/17 £000s	Total £000s
Star Chamber 2010					
Finance & Technical Services	Staffing	25	0	0	25
	Other	44	0	0	44
		69	0	0	69
Rostering Changes		3,267	0	0	3,267
		3,267	0	0	3,267
Regional Control					
	Transfer to NW Fire Control Ltd	877	(217)		660
Further Efficiencies Identified					
Brigade Management	PA Review	30			30
	Uniform Pay Contingency	31			31
		61	0	0	61
Finance & Technical Services	Insurance Premium Contributions	400			400
	Interest Charges (Loan Maturing)	90			90
	VRP	250			250
	Interest on Balances	50			50
	Business Rates Revaluation Reductions	150			150
	Non Uniform Employers Pension (Remove Budget Non Members)	80			80
		1,020	0	0	1,020
Emergency Response	Operational Training (Transfer from POD)	(32)			(32)
	Investors in People	45			45
		13	0	0	13
People & Organisational Development	POD Restructure	196			196
	Training Course Fees L&D	136			136
	Equality	30			30
	Pension Appeals	23			23
	CRB Checks	27			27
	Ill Health costs	400			400
	Pension Scheme Sanction Charge	50			50
		862	0	0	862
Information & Communications Technology	Structure Review	173			173
	Mobile Phone Contract	25			25
		198	0	0	198
Prevention & Protection	Risk Reduction Equipment	125			125
	Partnerships	100			100
	Fire Investigation Review	110			110
	Health & Safety Review	60			60
	Volunteers Review	47			47
		442	0	0	442
Corporate Planning & Intelligence	Contingency Pay Budget ACO Review	27			27
		27	0	0	27
TOTALS		6,836	(217)	0	6,619

Revenue Budget Summary 2014/15

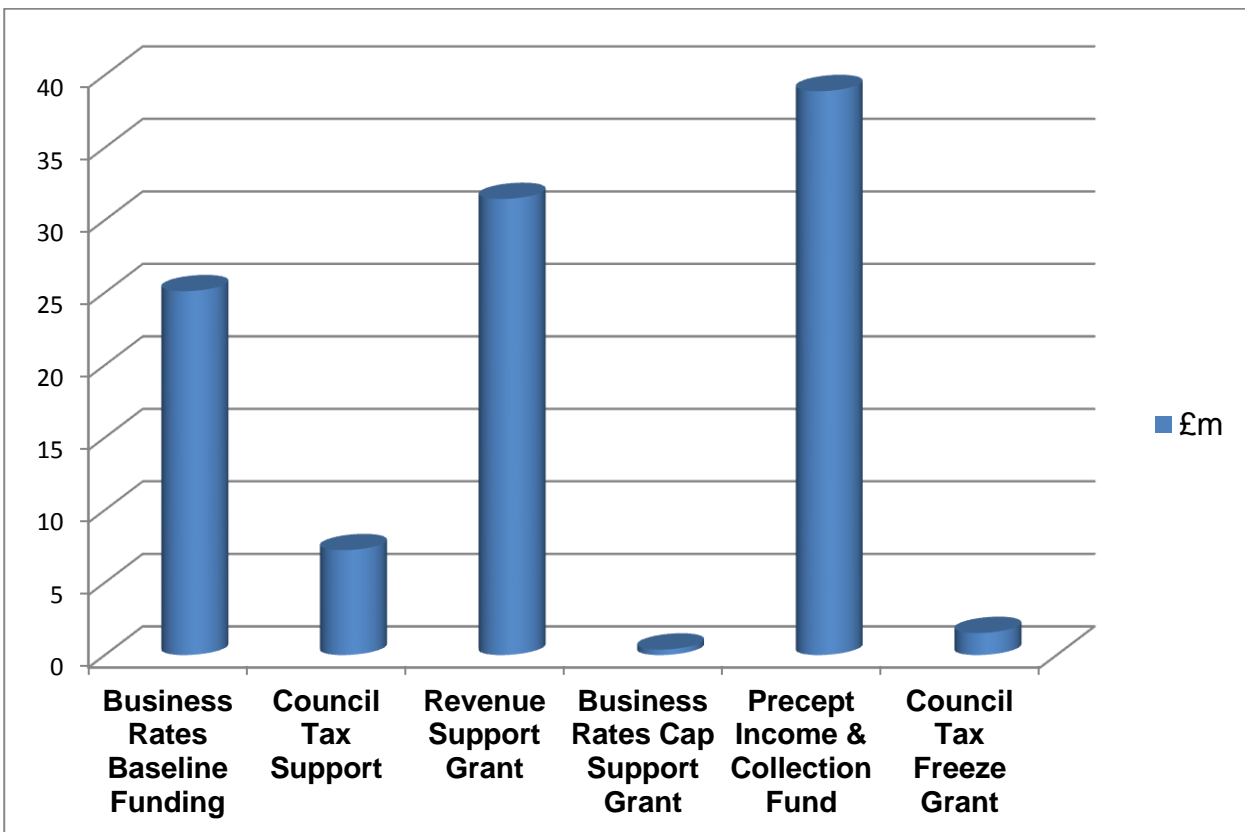
GREATER MANCHESTER FIRE & RESCUE AUTHORITY

	Original Estimate 2013/14 £'000	Original Estimate 2014/15 £'000
Fire Service Budget	109,786	105,785
Capital Financing Charges	9,481	8,074
Reversal of Asset Charges	-5,388	-5,388
Interest on Revenue Balances	-30	-80
Contribution to/from(-) Revenue Balances	-5,268	-3,804
Net Expenditure	108,581	104,587
Funded by:-		
Revenue Support Grant	42,068	36,200
Baseline Funding	27,987	28,647
Collection Fund Surplus / (-)Deficit	150	-147
Precept Income	38,376	39,042
Business Rate Cap Support Grant	0	379
Council Tax Freeze 14/15	0	466
Total	108,581	104,587
Revenue balances at 1 April	13,605	18,971
Deficit(-)/surplus for the year	-5,268	-3,804
Contribution to(-)/from Reserves	4,000	0
Revenue balances at 31 March	12,337	15,167

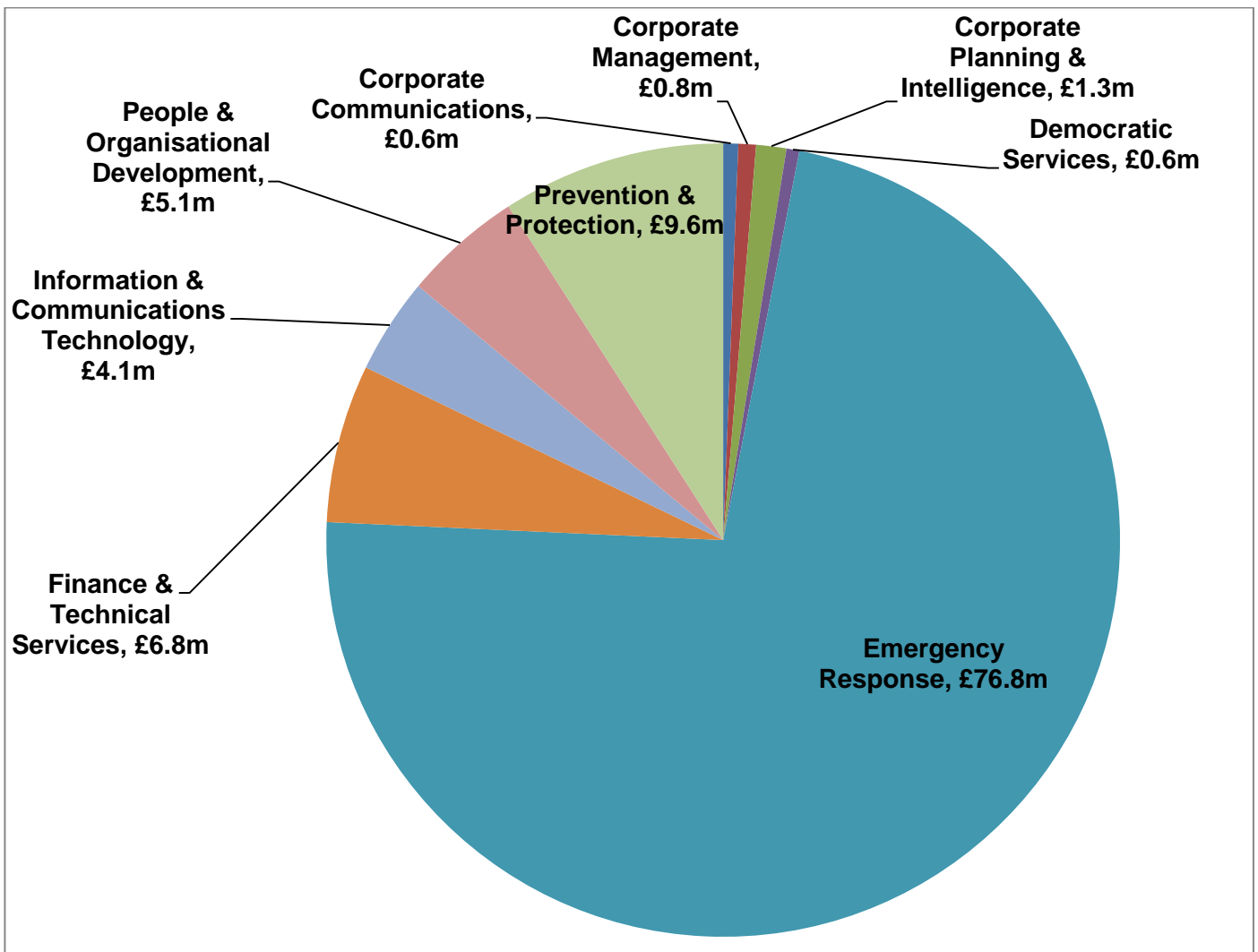
How the budget is planned to be spent



Where does the funding come from?



Budgets by Directorate



Financial Strategy Model

		2013-14		2014-15		2015-16		2016-17
		£M		£M		£M		£M
Original Budget		110.589		109.786		105.785		107.792
Add:- Pay & price inflation		1.250		1.350		1.320		1.370
Investment decisions		-0.049						
Uniformed Post Reductions		-2.470		-3.267				
Support Service Reductions		-0.213		-2.302				
Regional Control				-0.877		0.217		
Unavoidable Cost Pressures		0.784		1.065		0.270		1.670
Other Variations		-0.105		0.030		0.200		-0.400
		109.786		105.785		107.792		110.432
Capital Financing		3.802		8.074		3.802		3.802
Reversal of Asset charges		-5.388		-5.388		-5.388		-5.388
Interest on Balances		-0.030		-0.080		-0.080		-0.030
Contribution to/from (-) Balances		0.411		-3.804				
Net Budget requirement		108.581		104.587		106.126		108.816
Budget gap to be met from efficiencies & reserves		0.000		0.000		6.136		12.066
		2013-14		2014-15		2015-16		2016-17
Baseline Funding	-7.38%	24.432		25.096	2.5%	25.719	-6.5%	24.048
Council Tax Support (Baseline)	0.0%	3.132		3.202	2.5%	3.282	-6.5%	3.069
Revenue Support Grant	-7.38%	36.726	-14.34%	31.458	-17.5%	25.938	-6.5%	24.252
Council Tax Support (RSG)		4.707	-14.34%	4.032	-17.5%	3.324	-6.5%	3.108
Business Rates Cap Support Grant				0.379		0.379		
Freeze grant recurring		1.058		1.058	0.0%	1.058	-6.5%	0.989
Surplus/ (-)Deficit on Collection Fund		0.150		-0.147				
CSR 15 freeze grant Recurring			1.21%	0.466	0.00%	0.467		0.467
Precept (excl surplus)		35.054		39.042		39.042		39.823
Precept/estimated increase	9.48%	3.322	0.00%	0.000	2.00%	0.781	2.50%	0.996
Freeze grant - non recurring								
		108.581		104.587		99.990		96.750

Key Financial Risks

- Collection levels for Council Tax and Business Rates
- Sir Ken Knight Efficiency and Effectiveness Review
- Slippage, phasing and delivery of change programmes
- Pensions Amendment Order July 2013
- Wider reform of the firefighters' pension schemes
- Demands following firefighter fatalities and HSE inspection
- Potential fall out of external income
- Regional control room delivery
- New duty systems
- Pay awards above 1%
- Local Government Pension Scheme and long-term actuarial strain
- Large-scale Business Continuity Management
- Implications of the next Spending Review
- Corporate risks identified on the risk register

Capital Programme

Capital expenditure £m	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
New Fire Stations	2.601	1.450	4.000	2.500
Premises related	1.594	10.585	0.950	0.950
Operational Training related	0.193	0.000	0.000	0.000
IT related	0.680	0.150	0.150	0.150
Vehicles and equip	2.587	5.109	3.000	2.950
Total	7.655	17.294	8.100	6.550

New Fire Stations £1.45m

A feasibility study in respect of the demolition and rebuild of Wigan Fire Station on the same site has now been completed. It is planned to commence a procurement exercise to appoint a contractor through the North West Construction Hub in the near future. Due to lead in times for planning it is anticipated that works would be completed in 2015/16 and as a result £1.5m has been phased into the 2015/16 programme.

Other Premises £10.585m

This budget heading includes a number of headings:

- Minor Works - This is a £0.100m recurring annual budget to facilitate minor capital projects across all Authority locations.
- Asset Strategy Group – This is a £0.650m (includes £0.300m rephased from 2013/14) budget to facilitate strategic capital changes across all Authority locations.
- Building Works - This is a £0.850m budget funded by capital grants to be utilised in conjunction with any planned crewing changes.
- Mechanical/Electrical Replacement – This is a £0.300m budget to be used to provide opportunities to replace ageing systems which is consistent with our commitment to implement a sustainability strategy which will positively impact on the environment.
- Bury Training Site – This is a £7.335m budget to fund the completion of the Bury Site. Detailed designs for the site are currently being worked up with a view to a planning application submission in the near future.

- Community Access/CCTV project – This is a £0.550m budget that has been rephased from 2013/14 to implement a strategy to improve access for the Community to stations.
- Prevention and Protection Training Resources - This is a £0.550m budget that has been set aside from the revenue budget to support Prevention and Protection training and facilities on Boroughs.
- Resilience and Incident Command - This is a £0.250m budget to fund the adaptations required following the Control Room moving to the new North West Regional Control facility. In doing so this will leave the existing facilities empty and requiring adaptation. The project will look to redevelop and upgrade the Operations Room to ensure it is fit for purpose to support future operational incidents.

IT Schemes £0.150m

This budget of £ 0.150m is to fund to fund the replacement of ICT equipment.

Vehicles and Equipment £5.109m

This budget includes a number of headings:

- General Vehicles -This budget of £0.190m includes a recurring £0.150m annual budget to fund the replacement programme for general vehicles and a further £0.040m for a Media Liaison Vehicle.
- Operational Vehicles – We are currently investigating options in respect of future firefighting strategy and this will impact the future direction of the Operational Vehicles replacement programme. Plans to purchase two aerial appliances are also underway.
- Community Safety Vehicles – This budget of £0.055m will fund a second driver simulator vehicle. External funding was received in 2013/14 from Transport for Greater Manchester which funded the first simulator vehicle.
- Operational Equipment – This budget of £0.100m relates to the replacement of Operational Equipment.
- Future Firefighting – This budget of £2.800m has been rephased from 2013/14 and will be utilised to fund the Future Firefighting Project.
- Sustainability – This budget of £0.264m allows continued investment in new sustainable initiatives.

An indicative capital programme has been developed for 2015/16 and 2016/17 and takes into account the continuation of key capital investments in replacement fire stations, building adaptations, IT replacement, replacement vehicles and equipment. However the future capital programme from 2015/16 onwards will be further developed once the position in respect of capital grant funding is clearer along with the further development of the medium term financial plan.

Value for Money Strategy

Greater Manchester Fire and Rescue Authority has a statutory duty to deliver Best Value in the provision of its services. Best Value means that we must aim to continually improve the economy, efficiency and effectiveness of our service delivery.

Value for money is the relationship between economy, efficiency and effectiveness (i.e. the value chain).

Economy is the price paid for what goes into providing the service – for example, the cost per square metre of accommodation.

Efficiency is a measure of productivity – how much you get out in relation to what is put in. For example, the number of Home Safety Checks per Watch per week compared to the target.

Effectiveness is a measurement of the impact achieved and can be quantitative or qualitative. For example, satisfaction levels amongst different sections of the community with service delivery (qualitative).

The Authority seeks to ensure that outcomes are equitable across communities, so effectiveness measures include aspects of equity, as well as quality. For example, ensuring the prevalence of accidental fires is not higher in poorer areas.

Sustainability is also an increasingly important aspect of effectiveness. Options are assessed for their impact on wider social, environmental and economic factors and how these may interact to achieve sustainable development.

Consideration when assessing value for money is therefore also given to ensuring that sustainability (including environmental, social and economic), ethical and other socially responsible considerations are also taken into account. The Authority, in demonstrating value for money, seeks to consider the whole life costs of a decision.

Value for money is high when there is an optimum balance between the above – relatively low costs, high productivity and successful outcomes.

VISION FOR ACHIEVING VALUE FOR MONEY

Achieving and demonstrating value for money for the local community of Greater Manchester means that:

- Services are fit for purposes.
- Services are delivered economically – from a supplier (internal or external) whose price is competitive for the quality of service delivered.
- Services are delivered efficiently – through streamlined processes that link seamlessly with partner organisations where necessary.
- Services are delivered effectively – they meet the needs of local people at the right time.
- We release resources from areas that are not a priority so as to fund service improvement without an increase in Council Tax.

OBJECTIVES OF VALUE FOR MONEY STRATEGY

We recognise our responsibilities as a custodian of public funds to strive for value for money in the delivery of services;

- We seek to achieve and where possible improve Value for Money in the delivery of services
- Overall cost and unit costs for the service demonstrate best value compared to other authorities providing a similar level and standard of service and allowing for the local context
- Costs are commensurate with service delivery performance and outcomes achieved
- Costs reflect policy decisions
- Performance in relation to value for money is monitored and reviewed
- Improved value for money and efficiency gains are achieved
- Full long-term costs are taken into account when making procurement and other spending decisions
- External funding and partnership opportunities are sought in order to support local priorities
- We seek to target resources towards meeting the needs of local people
- We will integrate Best Value principles within existing management planning, review and scrutiny processes
- We will provide services that meet the needs of local people through the most economic, efficient and effective means
- We will undertake structured reviews of service areas on a targeted basis and to act on review findings to improve future performance and efficiency
- We will benchmark our performance against that of organisations in the public, private and voluntary sector where appropriate and against industry standard benchmarks.
- We will adopt recognised good practice where this is appropriate for meeting the needs of local people
- We will promote a culture of continuous improvement
- We will train and develop managers and help them fulfil their obligations to achieve value for money as an integral part of their work

DEMONSTRATING VALUE FOR MONEY

Greater Manchester Fire and Rescue Authority has had a robust and integrated approach for value for money for many years.

This has included a whole series of arrangements, including devolving budgets to Budget Holders, comprehensive approach to Best Value, a proven track record on delivering cashable and non-cashable efficiency savings, a track record of outsourcing/market testing, an effective Procurement Strategy, and major investment in technology to deliver service improvements and efficiencies.

The Authority has undertaken a number of benchmarking exercises as follows to allow it to have a better understanding of its costs. We are committed to a mixed economy of service providers because we believe that services should be delivered by the organisation that best meets our local needs and standards. This may be through the Authority providing services directly, or through contracts with the private or 'not for profit' sector or other public bodies. We deliver a variety of services through service agreements with partners. The Authority's strategy includes leveraging in additional resources through our partnership working approach.

RESPONSIBILITIES

The responsibility for achieving value for money lies with all members and staff and is not restricted to those with resource or financial responsibilities. Greater Manchester Fire and Rescue Authority is required to satisfy itself that value for money is being sought and achieved from all areas of the Authority.

MAINTAINING AND CREATING A VALUE FOR MONEY CULTURE

This is achieved by:

- Providing awareness training to staff.
- Communicating and embedding the value for money rationale to staff as to its importance, the achievement of our targets and the benefits that arise from value for money.
- Identifying corporate and/or service specific value for money tasks and projects within departmental service plans.

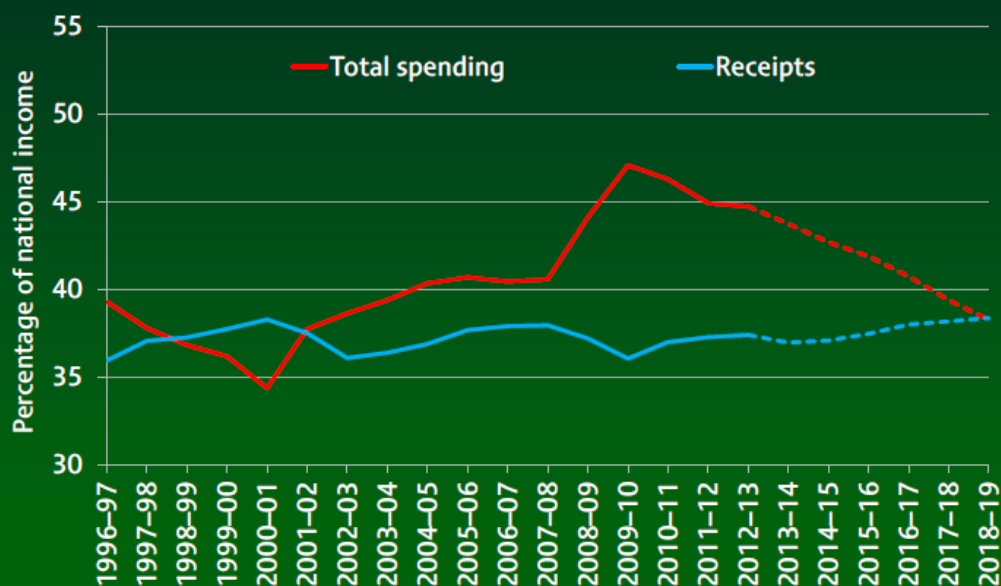
Conclusion

The Authority's strategy remains to deliver the significant changes in the way we deliver our service as set out within the current Corporate Plan for the benefit of the residents of Greater Manchester. The Corporate Plan effectively creates the organisational blue-print to deal with the significant financial challenges which place a great emphasis on delivering the efficiencies set out this year to ensure the Authority remains financially sound.

Setting this year's budget for the Authority has been a challenging exercise due to the significant ongoing cuts in Government Funding, The Authority continues to secure a positive value for money assessment from its' external auditors due to the ongoing delivery of the agreed savings/efficiency plans. The scenario model shown above in this document illustrates that the position in future years is likely to continue to be a severe financial challenge and the keen focus on costs must remain. There is now the opportunity to assess and evaluate a range of options which will provide the Authority with the ability to continue to deliver a high quality cost effective service in innovative ways.

The current economic climate has had, and will continue to have an impact upon the Authority and its financial position. It has been indicated by the Government in recent announcements that public finances in the future will be significantly tighter. The Government's published economic forecasts predict that the period of financial constraint will continue until at least 2017/18.

Spending and revenues over time



© Institute for Fiscal Studies

Note: Figures exclude Royal Mail Pension Plan and Asset Purchase Facility transfers.
Source: ONS; OBR; Author's calculations.



Institute for
Fiscal Studies

The Authority's medium term strategy needs to be able to withstand the events that lie ahead and revenue balances and reserves remain an important feature of enabling phased change to take place in a managed way. The timing and delivery of changes, particularly those where public consultation or negotiations with representative bodies are required will mean that retaining a degree of flexibility is prudent, with any timing issues being handled through the appropriate use of reserves and balances if required.

There are a range of national issues and risks which the Authority will need to contend with and the continued reductions in funding from CLG. The Authority has a significant efficiency programme in place which is delivering major savings over the medium term which will equate to a total budget reduction of £25m since 2009/10. **This equates to a total saving reduction of 21% on the service budget.**

The latest Medium Term Financial Strategy indicates that further savings of approximately £12m will be required by 2016/17. A key aspect of the ongoing capital programme is to invest in the latest vehicles, equipment and technology to prepare the service to operate new operational delivery models, with less staff, which in turn will have to yield a significant part of future efficiency savings.

The delivery of the efficiencies to date has been successful by being delivered in a coordinated, cyclical and programmed manner. The early consideration of the timing and pace of delivery has resulted in the delivery of £25m savings in recent years including those planned for 2014/15. This approach has placed the Authority in a good position to achieve the scheduled efficiency savings in the remaining period of the current spending review and will continue to be deployed to address the financial challenges set out in this report.

Glossary of terms

Capping – If central Government believes that the budget set by an Authority is too high it may specify a maximum budget level. The Authority is then required to reduce its budget to a level that does not exceed that limit.

CIPFA – The Chartered Institute of Public Finance and Accountancy, the leading professional accountancy body for public services.

Collection Fund – District Authorities are required to keep Collection Funds into which all Council Tax and Non Domestic Rates collected are paid, and out of which all precepts are made.

Council Tax Base – Every domestic property is banded from A to H according to its value. The Council Tax base for each local authority is the number of eligible properties within its area expressed as Band D equivalents with suitable adjustments made for single person discounts and losses on collection. It is used as a base to set the Council Tax for each property band in the area. This Authority's Council Tax base is the sum of the Council Tax bases of the ten Greater Manchester metropolitan district councils and is used to set the precept.

Non Domestic Rates – Sometimes referred to as the Business Rate, this is a standard rate in the pound set for business premises and collected by district councils. The amount collected is paid into the borough councils and the Authority receives a share from each one.

Precept – The total amount levied by this Authority on the Collection Funds of the ten Greater Manchester metropolitan district councils and collected by them from Council Tax payers in their areas as part of the total Council Tax bill.

Prudential Code – A professional code of practice devised by CIPFA to support local authorities in taking their decisions on capital investments.

Revenue Balances – The cumulative excess of the Authority's annual income over its expenditure.

Revenue Support Grant – An amount of money paid to local authorities by central Government towards the revenue costs of providing services. Revenue Support Grant is a general grant and its use is not restricted to any particular service. Revenue Support Grant is paid directly to the Authority and used to reduce the Authority's precept.

Value for Money Glossary

Economy – Relates to the cost of inputs being consumed. Economy measures can be used to indicate whether the right price was paid to acquire the necessary inputs.

Efficiency – Efficiency represents the relationship between inputs and outputs. Efficiency is the ratio of output to input.

Effectiveness – The extent to which outputs achieve the desired outcomes. Effectiveness measures are concerned with the strength of the relationship between a given intervention and outcomes.

Value for money – The relationship between the resources consumed and the outcomes achieved. Cost effectiveness measures highlight how well the costs of interventions have been translated into desired outcomes. Measures of cost effectiveness can indicate which set of interventions is best able to achieve the desired outcomes at the lowest cost. Ideally, cost effectiveness measures apply full economic costs against a clearly defined outcome.

Inputs – The resources that contribute to the production and delivery of an output. Inputs commonly include things such as labour, physical resources, administrative services and IT systems.

Outcomes – Outcomes are the impacts on or consequences for the community, of the activities of the Government. Outcomes reflect the intended and unintended results from Government actions and provide the rationale for Government interventions. Improving the health status of the population is an example of an outcome.

Outputs – Outputs are the goods and services produced by the organisation. Outputs are delivered to an external party (usually to the public either individually or collectively) and comprise the majority of day-to-day interaction between people and government. Outputs include things such as issuing licenses, investigations, assessing applications for benefits and providing policy advice.