



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	DSFRA/13/16
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY
DATE OF MEETING	10 JULY 2013
SUBJECT OF REPORT	NON-OPERATIONAL SAVINGS
LEAD OFFICER	Chief Fire Officer
RECOMMENDATIONS	<p><i>It is recommended that the Authority:</i></p> <p><i>(a) notes the anticipated reduction in non-operational support staff numbers of approximately 40 posts (13%) in this financial year;</i></p> <p><i>(b) notes the £2.217 non-operational budget reductions made since 2011/12;</i></p> <p><i>(c) notes that we are on track to deliver the target additional savings of £1.5m from non-operational areas;</i></p> <p><i>(d) approves the use of voluntary redundancy arrangements as part of the mechanism for delivering the required non-operational support savings target for 2014/15 with costs to be met from the CSR Reserve;</i></p> <p><i>(e) confirms delegated authority for the Chief Fire Officer to authorise redundancy and early retirement payments where costs in each case are recovered within two years AND where the total of all redundancy payments does not exceed £500,000 in any one financial year; and</i></p> <p><i>(f) confirms delegated authority for the Human Resource Management & Development Committee to authorise redundancy and early retirement payments where costs in each case cannot be recovered in two years on the understanding that the full cost of any redundancies and early retirements is normally recovered within a period of three years, but in exceptional circumstances within a period of no more than five years, AND where the total of all redundancy payments does not exceed £500,000 in any one financial year.</i></p>
EXECUTIVE SUMMARY	<p>During 2010 the Authority began planning its strategy for dealing with the reductions in grant funding and it was recognised that significant changes would be required in how services, including non-operational support functions, were provided.</p>

	<p>The Authority has made one off, invest to save funding available over the last three years totalling £3.939m and this has been used to fund some risk critical safety and compliance issues as well as a number of change projects aimed at delivering on going savings across the Service.</p> <p>A key example of this is the need to invest in a new training records and competency system as well as an IT system which facilitates the electronic exchange of information from one part of the service (prevention/protection) to another (emergency response). The need for improved training records was a factor in the prosecution of another fire authority following the tragic deaths of four firefighters a few years ago.</p> <p>This has required external expertise for advisory services (consultants) to be brought in as well as a number of external contractors needed to be employed to implement some of these changes. The total costs for the period 2010/11 – 2012/13 are £0.617m for spend on consultants and £0.860m for spend on contractors. This should be seen in the context of the budget for the Authority in that period (£229m) which equates to 0.6%. Perhaps more importantly, this cost is more than offset by £2.217m of on-going savings already removed from non-operational budgets. Now that we are implementing many of these changes, spend on external support has reduced significantly and it is envisaged that relatively little spend in these areas will be needed moving forward.</p> <p>This external perspective has allowed for informed decisions to be made as to where to reduce non-operational staffing levels. As a result of managerial decisions taken and the associated reduced staffing levels, we will aim to remove approximately 40 non-operational posts in this financial year (a reduction in year of 13%). As such, we are on track to deliver the target annual savings of at least £1.5m included in the Corporate Plan. Some of these staffing reductions will require voluntary redundancies to be effected and the recommendations contained in this report will allow this to be progressed without delay.</p> <p>It should be noted that the £1.5m from non-operational support functions is in addition to the £5.3m savings from changes to Service Delivery identified elsewhere on the agenda. Members of the Authority will be aware that non-operational staff account for 12% of the total workforce.</p>
RESOURCE IMPLICATIONS	Up to £500,000 to fund redundancy payments from the CSR earmarked reserve.
EQUALITY, RISKS AND BENEFITS ANALYSES	Not required at this stage, assessments will be carried out when specific proposals are considered.
APPENDICES	A. Outline of Key Change Projects
BACKGROUND PAPERS	None

1. INTRODUCTION

1.1 During 2010 the Authority began planning its strategy for dealing with the austerity measures that were being developed by the Government to reduce the national debt. The Authority recognised very early that significant changes would be required in how services, including support functions, were provided if standards were to be maintained whilst at the same time reducing costs. At the heart of this strategy was an investment in new technologies and equipment that would support changes in working practices and resourcing strategies.

1.2 At the same time, it was recognised that because of national events, including the tragic fire at Atherstone on Stour, Warwickshire where four Fire fighters lost their lives and subsequent criticism of the Fire Authority by the Health & Safety Executive, improvements in some of our systems were also much needed. Consequently, in addition to savings initiatives, it was also necessary to commission other key projects that: support risk critical areas (firefighter safety); increase the scope for data sharing with partner agencies (targeting of prevention activity); address critical data issues (accurate and timely management information) to support improved effectiveness and efficiency.

2. BACKGROUND

2.1 In 2010 officers were charged by the Fire Authority to identify savings from non-operational (back office) support functions. The highly effective budget control and management scrutiny that has been exercised since then has been commended by the Fire Authority as part of the financial outturn reporting which has seen underspends delivered in each of the subsequent years:

2010/11	£1.361m
2011/12	£1.276m
2012/13	£1.681m
	<u>£4.318m</u>

2.2 Of this amount, the Authority has made decisions to set aside £2.669m into the Comprehensive Spending Review (CSR) 2010 Budget Strategy Reserve. The remaining amount of £1.649m has been used to fund one-off invest-to-save initiatives e.g. Change and Improvement Programme, Commercial Services and direct funding towards capital projects. This, together with delivery of some early change projects, allowed for significant non-operational cost reductions to be made in the revenue budget over the last three years (2011/12 – 2013/14):

Efficiency Savings	£1.351m
Senior Management Restructure (2010)	£0.154m
Change Projects	£0.712m
	<u>£2.217m</u>

2.3 These significant savings have been a key stone in building the financial capacity that has enabled the Authority to fund an invest to save programme and, over the last three years, the Authority has allocated one off funding as detailed below.

	2011/12	2012/13	2013/14	
amount agreed by Fire Authority	£0.739m	£0.936m	£1.753m	
plus allocation from previous year's underspend	£0.896m			
less amount moved to general reserves		<u>(£0.223m)</u>	<u>(£0.162m)</u>	
	<u>£1.635m</u>	<u>£0.713m</u>	<u>£1.591m</u>	£3.939m

2.4 This bold investment strategy has provided the impetus for a wide range of key change projects that have already started to deliver significant savings and form an essential part of the Authority's medium term financial planning. It is also of note that the underspend delivered over the last three years is greater than the invest to save funding approved to date.

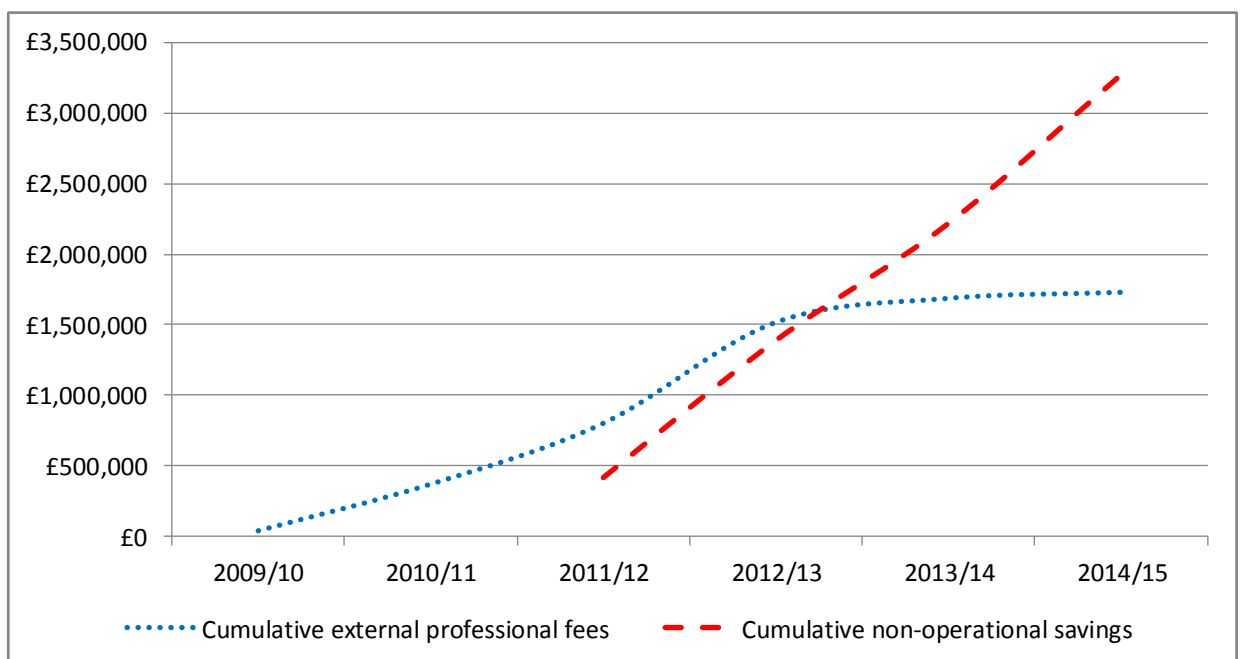
3. DELIVERY OF CHANGES

3.1 In 2010 it was recognised that appropriate governance arrangements were required to ensure that the envisaged major change projects were well managed and controlled. The number and complexity of these projects, which were required (amongst other things) to inform future non-operational staffing and budget levels, required a significant level of activity in the early phase. Consequently, there was a need to bring in subject matter expertise that was not readily available 'in house'. This provided external scrutiny of policy, processes and working arrangements together with a level of objectivity and some radical 'service redesign' approaches that were not likely to have been suggested by those directly involved in the delivery of those services.

3.2 At the same time, the Service began to build its own programme and project management capability, primarily through internal recruitment. This resulted in an additional 14 temporary support staff roles being put in place from early 2011.

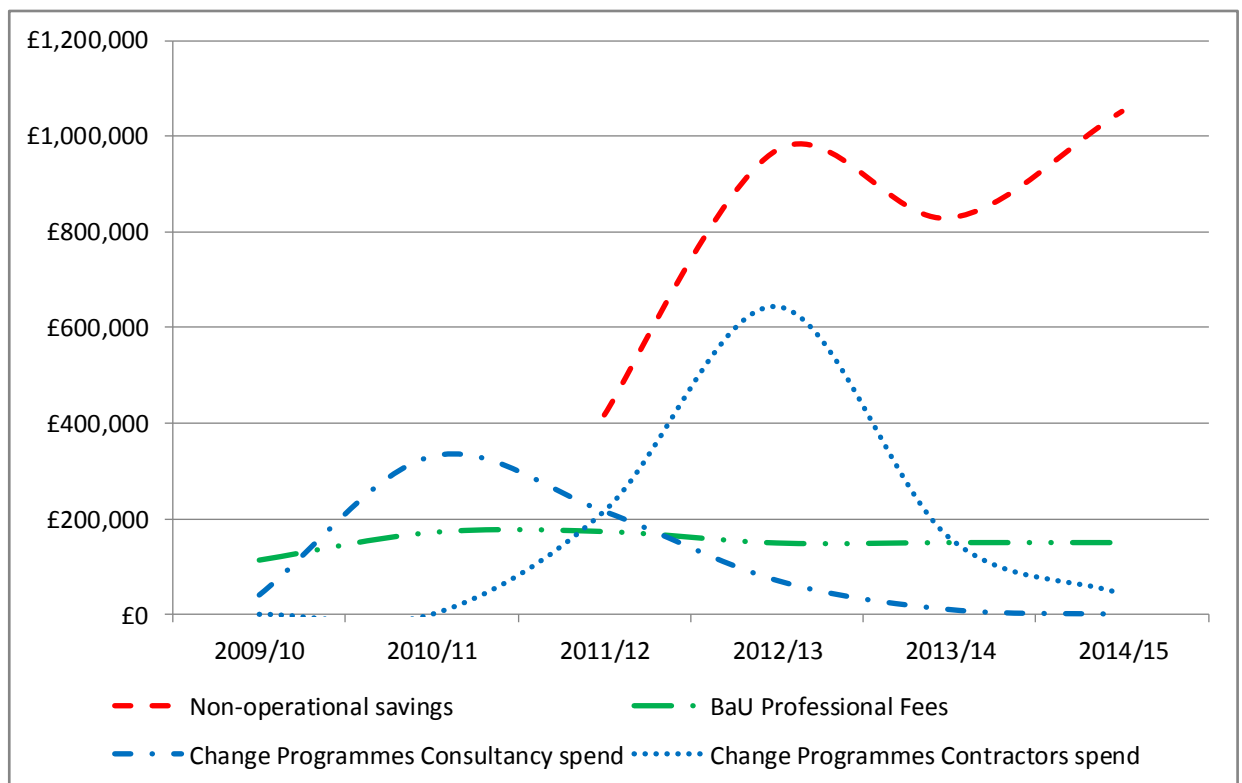
3.3 During the period 2010/11 – 2012/13, £0.617m had been spent on consultants and £0.860m on using contractors (interim managers) to deliver some of the key savings projects and the larger, more complex technical projects e.g. Training Records and Competency System; Smaller Fire Engines; functional reviews (Estates; Fleet; HR and ICT). Clearly, whilst this is a large amount of money it should be seen in context of the budget required to operate the largest non-metropolitan fire and rescue service in the Country (the total spend, £1.477m, equates to 0.6% of the Authority's budget for that period) and the £2.217m reductions made in non-operational budgets during this period. Figure 1 illustrates the cumulative position (totals to date) on these fees alongside the cumulative non-operational budget reductions.

Figure 1: Cumulative External Professional Fees and Non-operational Budget Reductions



- 3.4 The investment in these expert resources has delivered projects with outputs we would have been unlikely to have achieved through normal staffing arrangements because of lack of skills and capacity.
- 3.5 It should be noted that the Service uses external professional consultancy services in a number of areas as part of normal day to day business, ranging from building services, legal advice and insurance investigations to expert advice on issues such as radiation safety. Historically, the Service spends circa £0.160m on these services which play a vital role in maintaining our safety culture and keeping the Service safe and legal.
- 3.6 As the vast majority of fundamental reviews have now been concluded and we are moving to an internal implementation phase, the need for external resources has diminished significantly and the only contractors we have retained are working on the safety critical Training Records and Competency System, which is essential for operational assurance and preparedness.
- 3.7 Figure 2 illustrates the initial use of consultancy services to advise and shape the change programme, moving to the use of contractors as we moved to the implementation phase. It also illustrates clearly how the use of external professional services is returning to normal operating levels and the scale of non-operational budget reductions made up to 2013/14 and planned for 2014/15 (for the latter see tables two and three).

Figure 2: Annual External Professional Fees and Non-operational Budget Reductions



- 3.8 Appendix A provides an outline of the key change projects and the benefits they will deliver. In summary, Table 1 identifies the non-operational budget reductions taken to date against the initiatives that delivered them.

Table 1: Non-operational Budget Reductions to date

Project	Annual Budget Reduction	
Efficiency Savings	£1.351m	
Senior Management Restructure	£0.154m	
Fire Control Consolidation	£0.503m	
Payroll Provider	£0.059m	
Printing Services	£0.052m	Benefits rolled out over two years (see table below)
Non-Operational Support Review – Staffing Reductions	£0.098m	
Totals	£2.217m	

- 3.9 In addition, plans are in place to deliver additional savings required to meet the target of £1.5m included in the corporate plan. Table 2 shows the non-operational budget reductions anticipated over the next four years.

Table 2: Anticipated Non-operational Budget Reductions

	2014/15	2015/16	2016/17	2017/18	Total
Efficiency Savings		£0.300m			
Printing Services	£0.014m				
Non-Operational Support Review – Staffing Reductions	£0.407m				
Process Improvement – Staffing Reductions	£0.341m				
Procurement	£0.200m	£0.200m	£0.200m	£0.200m	
Estates Review	£0.090m				
Totals	£1.052m	£0.500m	£0.200m	£0.200m	£1.952m

- 3.10 It can, therefore, be seen that through the Authority's change programme, we have set the scene for significant savings to be generated for the future. Consequently, we can be confident that the additional £1.5m annual savings from non-operational support functions we have built into our budget planning assumptions (as identified in the corporate plan) is deliverable. As illustrated above, we also anticipate a small amount of additional savings being realised which will go some way to offsetting some the financial pressure expected in future years.

- 3.11 This has only been possible as a result of the foresight and financial support of the Fire Authority investing in this programme in recent years. Had this not been the case, it is highly likely that additional savings would need to have been made from other areas, including front line service delivery.

4. **STAFFING REDUCTIONS**

- 4.1 These changes are clearly not without impact on non-operational support staff levels and in the current year we have made the managerial decision to delete 16 posts that have been held vacant. This represents a reduction in non-operational support staff numbers of 5.4% and by the end of this financial year we anticipate being able to reduce additional posts giving a total reduction in one year of approximately 40 (13%).

- 4.2 We expect to do this by taking advantage of normal turnover, reviewing jobs covered by fixed term contracts and where we have received expressions of interest from employees wishing to take voluntary redundancy. At this stage, it should be emphasised that there are no proposals for making compulsory redundancies – although there can be no guarantee that this will be the case in future years.
- 4.3 It is important to reiterate that without support staff, firefighters would not be able to perform their job. We need mechanics to ensure suitable fire engines are available; we need estates staff to ensure fire stations are fit for purpose and we need human resource and finance staff to ensure we comply fully with legal requirements as well as pay our staff. We have also taken a decision in recent years to use non-operational staff to undertake some fire safety visits as this is much more cost effective than paying firefighters to do this. As a result, we have increased the amount of time spent undertaking such activities. Staff in our Information Technology team support us by maintaining and developing our emergency response communications and data networks and equipment. They also support us by facilitating the sharing safety critical information from one organisation, or part of an organisation, to another. Our Corporate Communications team is actively and heavily involved in publicising safety information to the public which directly contributes to community safety.
- 4.4 Whilst non-operational support staff account for just 12% of the workforce, the remainder being our 2,000 firefighters, given the changes needed across the board and the unprecedented financial pressures we now face, operating with fewer staff and saving money is a primary focus.
- 4.5 If it is proposed to take forward any of the voluntary redundancies, given the potential for costs involved to be significant, it will be necessary to confirm the level of delegated authority that will be applied. Furthermore, redundancy costs would normally be met from reserves and the CSR reserve was created with this, amongst other things, in mind. The level of delegated authority is for the Authority to determine and it would be useful if specific parameters were set, e.g. the Chief Fire Officer be given delegated authority to authorise redundancy payments where costs in each case are recovered in two years AND where the total of all redundancy payments does not exceed £500,000 in any one financial year. The Authority could also consider delegating authority to the Human Resource Management & Development Committee to determine individual cases that do not meet the required period for cost recovery on the understanding that the full cost of any redundancies and early retirements is normally recovered within a period of three years, but in exceptional circumstances within a period of no more than five years. However, it would seem prudent not to extend this delegated authority to increasing the total quantum for payments in any one year.

5. **NON-OPERATIONAL SUPPORT STAFF - NUMBERS SINCE COMBINATION**

- 5.1 Some attention has been drawn to the number of non-operational support staff employed by the Service and in particular that numbers have increased since combination in 2007. Whilst this is certainly true - numbers have increased by 63 - almost all of these are derived either from the invest to save work recently commissioned or from changes that have either brought about savings in other budget lines or directly improved support to front line service delivery. Most of the increased numbers (40) are employed on fixed term contracts because it was recognised that numbers would be reduced once key change projects were completed and this provides greater flexibility in managing changes to our resourcing needs moving forwards.

5.2 The key areas where the additional staff have been employed are:

- Change Programmes (14.0) - Providing the capability for managing and delivering the range of change projects that are transforming the Service. All but one are fixed term contracts and as the projects come to an end we anticipate very few continuing beyond 2013/14. Data Intelligence & Community Safety (11.2) - These additional jobs have made a dramatic impact on our ability to target resources to risk and significantly improve community safety outcomes. Much of the cost was covered by uniformed jobs becoming non-uniformed with resultant cash savings on the uniformed budget line.
- ICT (8.9) - Five of these posts are fixed term contracts and are assigned to work within the change programme to deploy new technology that will allow us to manage with fewer people in the future. The remaining posts have been funded from savings derived through managing ICT requirements more cost effectively.
- Estates (9.0) - At combination, the property estate managed by this team increased by 40% but no additional staff were transferred from Somerset County Council. In addition, a number of professionals were provided through an agency because of recruitment difficulties. Professional staff have now been recruited saving circa £100k per year. In addition, the recruitment of three additional professional trade workers is expected to reduce the amount and cost of work put out to contractors, making a net saving of £90k per annum.
- Fleet & Vehicle Engineering (9.6) - Directly support front line vehicles and equipment, this is a vital operations support function. Staff numbers have been increased recently, using fixed term contracts, to pilot a self-build programme and manage the introduction of new specialist vehicles including the procurement of the new smaller fire engines which will save £70k per vehicle and, with a planned replacement programme seeing the introduction of 70 vehicles, this equates to a saving on capital of £4.9m. There will be revenue savings from reduction of capital debt charge, fuel efficiencies and equipment reductions.
- Corporate Communications (3.5) – We have increased the number of skilled design technicians and significantly raised the standard of fire safety materials. Costs were entirely covered by making one uniformed post non-uniformed, doing almost all work in-house and by savings on other budget lines within the department.
- Procurement (2.5) – We have increased professional capacity and this is our strategy that will see the delivery of £200k annual savings in each year over the next four years, giving a cumulative saving by 2017 of £2.0m. This is one of the key outcomes of the Authority's invest to save strategy.

4.3 Our non-operational support staff provide vital services without which the front line service could not function. Increases in non-operational support staff numbers have delivered savings in other budgets that have offset the increase in employee costs. However, it was always intended that numbers would be scaled down over time once the change projects began to deliver the capability that would allow us to work differently and manage with fewer people – and that is happening this year.

- 4.4 As a consequence of key change projects coming to an end, we are in a position to begin reducing numbers this year and, as mentioned elsewhere in this report, 16 vacancies will not be filled and will be deleted from the establishment. In addition, we have reached a point where we are able to release five of the seven contractors who have been working on our projects and we expect to be able to release the remaining two by the end of this financial year.

LEE HOWELL
Chief Fire Officer

Outline of Key Change Projects

Those schemes that deliver safety, compliance and effectiveness improvements (as opposed to cash savings) are:

- **Training Records and Competency System.** The vendor of the current system has ceased trading and the system is no longer supported and requires a significant amount of ICT resource to maintain and is no longer fit for purpose. It does not meet our needs or support our commercial training requirements. Implementing a new system and revising the business processes around managing training courses and competencies will reduce the risk to the Service, enable efficiencies through more automated processes and will also support the initiatives within the Service, such as the Training Academy. It is important to emphasise that this project underpins firefighter safety and Operational Assurance and that another fire authority was criticised for having an inadequate training records and competency system following an incident in which four firefighters tragically lost their lives.
- **Health and Safety Accident Reporting.** This initiative continues to support the Authority's legal obligations, but enhances the information available on risk and improves the capabilities of the "zero harm" initiative.
- **ICT review.** This is not expected to result in savings but be cost neutral whilst at the same time improving the service this function provides in support of the Service's primary purpose. It will ensure that the ICT strategy and delivery is in line with an organisation that has greater levels of commerciality, is data intelligence led and where data systems are integrated.
- **Procurement Technology.** This system uses online catalogues to enable trained users to raise requisitions/orders, have them approved, and send them to suppliers electronically. The Procure to Pay system is a new module within the existing finance system and provides an improved end to end process.
- **Information Assurance.** Information Assurance is a framework of legislation, policies, processes, procedures and guidance to assure the confidentiality, integrity and availability of our information assets and reduce the risks and consequences of breaches in security. This will provide assurance and confidence to our external partners that information is acquired, stored and processed appropriately and protected from loss, theft and misuse and as a result we will be regarded as a trusted partner with who data can be shared. Access to partner agency data is essential to the effective targeting of our prevention activities and resources so that they have the greatest impact on safety within the Community.
- **Fleet Review.** The department is being reorganised to make it more efficient, effective and improve its commerciality.
- **HR Review.** The department has been restructured on a business partnering model to give more focussed and timely support to area commands, front line services and support functions.

Those schemes that deliver cash savings as well as quality and effectiveness improvements are:

- Fire Control Consolidation. Following the cancellation of the National Regional Control Centre (RCC) project, alternative arrangements were developed and the fire controls in Devon and Somerset were combined into a single fire control in October 2012. This resulted in annual savings of £503k from a reduction in 12 posts along with reduced maintenance and licence costs for the decommissioned Somerset system.
- Estates review. The Estates department was reviewed and as a result we ended agency surveyor appointments – saving £100k per year, reduced external suppliers and increased the number and breadth of skills of employed technicians – saving circa £90k per year. Tighter management controls were also introduced.
- Non-operational Support Review. Work started in 2010 looking at how non-operational support functions might be delivered differently. This has culminated recently in the identification of approximately 28 posts that could be removed from the organisation (in addition to the 12 posts previously identified as potential savings from applying process improvement)
- Process Improvement. We are working with two other fire and rescue services to produce a standard approach to the more generic ways of working across the three services through the adoption of common processes. This initiative is projected to provide annual savings of £341k based on an assessment of saving 12 FTE posts.
- Printing services. This has delivered a new printer supplier contract that has delivered annual savings of £66k.
- Procurement strategy. A category management approach has been developed with a target to deliver annual savings of £800k by the end of 2016/17.
- Smaller Fire Engines. The introduction of smaller fire engines into our fleet renewal programme will save £70k per replacement fire engine. If, as anticipated, we buy 70 vehicles we will make capital savings of £4.9m on what we would otherwise have had to spend.
- Payroll migration. Following a joint procurement exercise with Wiltshire Fire & Rescue Service, we have achieved an annual saving of £59k.
- Commercial Services. We now have a robust costing model when pricing and bidding for work in new and existing markets to maximise our profit and income streams and contribution to fixed overheads of the service. The Service reported a surplus of £189k in the last financial year.