



**SCOTTISH**  
**FIRE AND RESCUE SERVICE**

Working together for a safer Scotland

**Report to: SCOTTISH FIRE AND RESCUE BOARD**

**Report Number: B/FCS/5-14**

**Date: 27 FEBRUARY 2014**

**Report By: CHIEF OFFICER ALASDAIR HAY**

**Subject: RESOURCE BUDGET 2014 - 2016**

## **1 PURPOSE**

- 1.1 The purpose of this report is to seek approval of the proposed resource budget for 2014/15 and indicative budget plans for 2015/16.

## **2 RECOMMENDATION**

- 2.1 The Board is asked to approve the following recommendation(s):
- 1) That the proposed Resource Budget for 2014/15, as set out in paragraph 6 and detailed in Appendix A be approved,
  - 2) That the indicative budget plans for 2015/16 be approved, with a view to these being refined into detailed budget proposals in February 2015.

## **3 BACKGROUND**

- 3.1 The Board at its meeting in November approved the Budget Strategy for 2014-16, recognising the budget allocations proposed by the Scottish Government. These proposals have now been confirmed by the Scottish Parliament with the Budget (Scotland) (No.3) Bill being passed on 5 February 2014.

- 3.2 As a result, the Resource DEL funding for the Scottish Fire & Rescue Service (SFRS) for 2014/15 is set at £287.541million, which includes an indicative allocation of £22.3million for capital. For 2015/16, Resource DEL is set at £259.221million, with a further £25.300million allocated for capital.
- 3.3 In addition to the allocated DEL funding, SFRS has estimated additional costs of around £3.1 million to cover SFRS involvement in the Commonwealth Games security planning and response. Discussions on how these costs will be funded are underway with the Scottish Government.

#### **4 ALLOCATION TO CAPITAL**

- 4.1 In developing budget proposals for 2014-2016 consideration has been given to the transitional nature of the Service's cost base. It is recognised that while a number of cost reduction measures have been commenced eg ICT investment, Property Estate - Strategic Intent etc., in line with Audit Scotland's recommendations to newly merged public bodies, these will only begin to deliver savings in the medium term.
- 4.2 As such it is proposed that the budget allocation to capital in 2014/15 is reduced by £1.0m in order to support the resource budget in the short term. Preparatory work will however be undertaken on capital projects which would enable this funding to be reassigned to the capital programme in the event of an emerging underspend.
- 4.3 Detailed capital budget proposals are included within the Board's agenda for this meeting.

#### **5 FIRELINK**

- 5.1 The budget allocated to SFRS on its inception was based on the expectation that the responsibility for the Firelink radio system would transfer from Scottish Government to SFRS on 1 April 2014. This did not happen during 2013/14 and the corresponding budget was returned to the Scottish Government.
- 5.2 It is now anticipated that this transfer will take place in April 2014 and the 2014/15 DEL funding is based on this assumption.

#### **6 PROPOSED BUDGET**

- 6.1 It is therefore proposed that the Resource Budget for 2014/15 be set at **£269.341million**, as outlined in Appendix A, which reflects the DEL funding, Commonwealth Games grant and allocation to capital.

- 6.2 The adjustments required to bring costs into line with available funding are detailed in Appendix B.
- 6.3 Allowing for a 1% pay award, this budget provides for the cost of all anticipated staff in post during 2014/15, taking account of retirement profiles and the projected impact of voluntary severance, while delivering £6.100million savings against the existing cost base in this area.
- 6.4 Work remains ongoing to transition from inherited staffing structures to a new working structure, which meets the current needs of the Scottish Fire & Rescue Service, while recognising our commitment to no compulsory redundancies.
- 6.5 In seeking to achieve the required cost reductions no provision has been made for external recruitment however it is recognised that where the number of leavers exceeds those budgeted it will be necessary and desirable to reinvest the resulting saving to fill vacant posts within the working structure across all employee categories. The detailed requirements for a recruitment process for wholetime firefighters will be scoped out through the Resource Working Group and it is anticipated this would take place later in the year.
- 6.6 The Resource Working Group has been established, within the terms of the Working Together Framework, which includes representatives from the Strategic Leadership Team and the Fire Brigades Union, to review the distribution of our operational resources, within a safe and sustainable response model, which maintains and, where possible, enhances our frontline service delivery.
- 6.7 The initial work of this group is focused on the need for a standardised crewing and response model across Scotland, which can improve the utilisation of current resources, clarify the requirement for recruitment of wholetime firefighters and allow overtime to be managed within agreed budgets.
- 6.8 The Working Group will meet regularly throughout the year to monitor establishment and overtime levels, with a view to ensuring the best use of resources and containing overtime costs within budget.
- 6.9 While work remains ongoing to establish a complete picture of the inherited commitments in relation to non-employee costs, specific savings have been identified in a number of areas amounting to £1.700million.
- 6.10 A further £3.197million (1.2%) will be allocated to budget holders as a savings target for 2014/15, to be found from non-employee costs, as we continue the process of integration and rationalisation.

## **7 2015/16 BUDGET PLANS**

- 7.1 With Resource DEL funding separately identified from Capital and Commonwealth Games funding no longer applicable, the Resource Budget for 2015/16 is anticipated to be set at the Resource DEL level of **£259.221million**.
- 7.2 A further reduction in Employee Costs is anticipated as staffing structures evolve, alongside increasing savings from non-employee budgets as cost reduction measures begin to yield savings. In addition to those savings which have been identified to date a further cost reduction of £3.320million (1.3%) is required.
- 7.3 It is anticipated that the support staff pay and grading review will be completed towards the end of 2014/15 and it is recognised that any resulting ongoing financial implications will require to be provided for within this budget.
- 7.4 Budget plans for 2015/16 are outlined in Appendix A and the adjustments required to bring costs into line with the budget are shown in Appendix B.

## **8 JOINT WORKING ON COMMUNITY PLANNING & RESOURCING**

- 8.1 SFRS recognises its responsibilities to work together with community planning partners as outlined within the “Agreement on Joint Working on Community Planning and Resourcing” and as such is working with local partners to identify practical opportunities to add real value in this area.
- 8.2 It is anticipated that at this stage SFRS can most effectively contribute through the deployment of its physical and people resources.

## **9 BUDGET RISKS**

- 9.1 A number of budget risks have been identified and are detailed and scored in Appendix C, alongside the actions being taken to mitigate these.

## **10 FINANCIAL IMPLICATIONS**

- 10.1 The financial implications are outlined within the report.

## **11 EMPLOYEE IMPLICATIONS**

- 11.1 Employee implications are outlined within the report and have been discussed with representative bodies through the Employee Partnership Forum and the Resource Working Group.

## **12 LEGAL IMPLICATIONS**

12.1 SFRS is required through its Governance & Accountability Framework to provide the Scottish Government with detailed budget plans no later than 28 February.

## **13 EQUALITY IMPACT ASSESSMENT AND CONSULTATION ARRANGEMENTS**

13.1 An equality and human rights impact assessment has been carried out on the proposed Resource Budget. In summary, the findings of the assessment identified that there was some relevance to all three elements of the general equality duty across all protected characteristics but that the relationship is largely indirect. The impact assessment acknowledges that the relevance to equality will be more directly established through the initiatives that are associated with the budget - such as the work programmes on duty systems and pay and reward which will be subject to individual scrutiny.

13.2 The impact assessment highlights, in particular, the issue of equal pay considerations in future Board decisions on, and the implementation of, staff redeployment as well as pay and reward schemes across all employee groups.

13.3 The impact assessment acknowledges the positive impact of the continued commitment to no compulsory redundancies.

13.4 Budget plans have been developed in consultation with representative bodies through the Employee Partnership Forum.

**ALASDAIR HAY  
CHIEF OFFICER**

SCOTTISH FIRE & RESCUE SERVICE		APPENDIX A	
Resource Budget 2014-2016			
2013/14	Narrative	2014/15	2015/16
Revised		Proposed	Budget
Budget		Budget	Plans
£m		£m	£m
212.955	Employee Costs	209.916	205.321
20.611	Property Costs	20.507	19.798
15.370	Supplies & Services	19.787	19.353
9.887	Transport Costs	9.887	9.887
3.574	Third Party Payments/Council Charges	3.294	3.084
11.049	Financing	10.248	9.403
-	Unallocated Savings	(3.197)	(6.517)
<b>273.446</b>	<b>Gross Expenditure</b>	<b>270.442</b>	<b>260.329</b>
(0.719)	Income	(1.101)	(1.108)
<b>272.727</b>	<b>Net Expenditure</b>	<b>269.341</b>	<b>259.221</b>

**SCOTTISH FIRE & RESCUE SERVICE**  
**Resource Budget 2014-2016**

**APPENDIX B**

	£m	£m
2013/14 Revised Budget (excluding Employers Pension Contribution)		272.727
Adjustments:		
Firelink costs	4.511	
Commonwealth Games costs	3.100	
2014/15 pay award		
Contractual pay increments		
Transitional staff cost savings	-6.100	
Non-employee cost savings/pressures	-1.700	
Budget-holder Savings Target	-3.197	
		-3.386
<b>2014/15 Resource Budget (excluding Employers Pension Contribution)</b>		<b>269.341</b>
Adjustments:		
Commonwealth Games costs	-3.100	
2015/16 pay award		
Contractual pay increments		
Transitional staff cost savings	-1.500	
Non-employee cost savings/pressures	-2.200	
Unidentified savings	-3.320	
		-10.120
<b>2015/16 Resource Budget (excluding Employers Pension Contribution)</b>		<b>259.221</b>

## Budget Risks

Downside				Upside	Planned Actions
Description	Probability	Impact	Risk Score	Description	Description
Personnel choose to work beyond anticipated retirement date	2	3	6	Personnel retire earlier than anticipated	Consider options to incentivise retirement for targeted groups
NJC pay awards in excess of 1% per annum	1	3	3	NJC pay awards less than 1% per annum	
Sustainable crewing model not implemented timeously and effectively to enable overtime to be contained	3	4	12	Effective implementation results in good alignment of resources to requirements and savings on existing overtime budget	Initiate discussion with FBU immediately to give maximum opportunity to reach consensus on the way forward
Gaps remain within operational crewing model which require external recruitment	4	3	12		Review actual v. anticipated leavers to identify oportunities to recruit within budget
Backdated support staff pay can't be determined and paid until after transitional funding period	4	4	16		Focus resources on pay and grading review to complete process as early as possible
Support staff pay and grading review results in an overall paybill increase	4	3	12		Develop pay modelling technique to consider options
Requirement to recruit externally for support staff posts beyond budget provision	3	3	9	Unanticipated support staff turnover which enables accelerated implementation of structure	Continue review of working structures to ensure support staff are effectively aligned to critical posts
Insufficient appropriate uptake of VSER	2	4	8	Strong interest and able to fund additional leavers from underspend this financial year	Ensure sufficient clear information is provided at point of offer
Budget holders unable to identify non-employee cost savings	2	3	6	Budget holders able to identify additional savings	Finance business partners available to support budget holders
Transitional funding projects do not deliver projected savings	2	3	6	Transitional funding projects deliver more savings earlier	Close monitoring of actual v. anticipated savings
Strategic Intent savings delayed/less than projected	3	3	9	Pace of implementation of Strategic Intent accelerated resulting in more savings earlier	Focus for project board on developing timeline