



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

Working together for a safer Scotland

**Report to: THE BOARD OF THE SCOTTISH FIRE AND RESCUE SERVICE**  
**Report no: B/FCS/06-16**  
**Date: 31 MARCH 2016**  
**Report By: SARAH O'DONNELL, DIRECTOR OF FINANCE & CONTRACTUAL SERVICES**

**Subject: RESOURCE BUDGET 2016 - 2017**

## **1 PURPOSE**

- 1.1 The purpose of this report is to seek approval of the proposed resource budget for 2016/17.

## **2 RECOMMENDATION**

- 2.1 The Board is asked to approve the following recommendation(s):
- 1) That the proposed Resource Budget for 2016/17, as set out in paragraph 4 and detailed in Appendix A, be approved.

## **3 BACKGROUND**

- 3.1 The Board at its meeting in November approved the Budget Strategy for 2016-17, recognising that budget allocations from the Scottish Government had yet to be published.

3.2 The Scottish Draft Budget for 2016/17 was published on 16 December 2015 setting out the following Departmental Expenditure Limits (DEL) for SFRS:

SFRS	2015/16 (£m)	2016/17 (£m)
Total Resource DEL	283.900	283.900
Resource DEL (Non-Cash)	24.679	24.679
<b>Resource DEL (Cash)</b>	<b>259.221</b>	<b>259.221</b>
<b>Capital DEL (Cash)</b>	<b>25.300</b>	<b>10.800</b>
<b>TOTAL CASH</b>	<b>284.521</b>	<b>270.021</b>

3.3 These proposals have now been confirmed by the Scottish Parliament with the Budget (Scotland) (No.5) Bill being passed on 24 February 2016.

#### 4 PROPOSED RESOURCE BUDGET

4.1 It is therefore proposed that the Resource Budget for 2016/17 be set at **£259.221million**, as outlined in Appendix A, in line with the DEL funding.

4.2 The adjustments required to bring costs into line with available funding are detailed in Appendix B.

4.3 Taking account of the increased cost of employer's national insurance in relation to the Single Tier State Pension, and allowing for a 1% pay award as well as incremental progression where appropriate, this budget provides for the cost of all anticipated staff in post during 2016/17, taking account of retirement profiles and the projected impact of voluntary severance, and recognising our commitment to ensuring no compulsory redundancies. Provision has been made to maintain current working structures across all staffing groups, and to deliver further harmonisation within wholetime uniformed roles. Overall, employee cost increases have been balanced by corresponding savings in this area.

4.4 As in previous years, a key challenge will be to ensure our operational resources are distributed and deployed in the most effective manner, within a safe and sustainable response model, to maintain, and where possible enhance, our frontline service delivery. There will be continued focus on delivering this objective.

4.5 In terms of non-employee costs, further savings are being delivered through our Property Estate – Strategic Intent programme, as surplus buildings are closing and support functions consolidated within our new and existing sites. Current fuel prices are providing a welcome cost reduction in this area and the completion of the HR/Payroll will deliver further savings during its first full financial year. Rationalisation of the inherited ICT infrastructure was delayed during 2015/16 due to resourcing constraints however this work has been re-programmed for 2016/17. Partially off-setting these savings has been a requirement to correct some elements of under-budgeting, particularly in property/utility costs and uninsured losses as expenditure requirements become clearer; a position which is reflected in the 2015/16 budget monitoring.

4.6 Provision has been made for SFRS's contribution to the Emergency Services Mobile Communications Project (ESMCP) (£0.210m).

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

5.1 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.

5.2 It is anticipated that at this stage SFRS can most effectively contribute through the deployment of its physical and people resources.

## **6 BUDGET RISKS**

6.1 The Corporate Risk Register recognises that there is a risk to the Service if it fails to achieve financial sustainability. One of the key building blocks to achieving a sustainable financial position is balancing the budget for the forthcoming year. Appendix C sets out the specific risks that have been identified in relation to operating the Scottish Fire & Rescue Service during 2016/17 within this budget envelope. These have been scored, using the same methodology as the Corporate Risk Register, and mitigating actions have been identified.

## **7 FINANCIAL IMPLICATIONS**

7.1 The financial implications are outlined within the report.

## **8 EMPLOYEE IMPLICATIONS**

- 8.1 Employee implications are outlined within the report and are regularly discussed with representative bodies through the Employee Partnership Forum.

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

- 9.1 An impact assessment has been carried out as part of the budget setting process which indicates that the relationship between the Resource Budget and the general equality duty is largely indirect due to the high level nature of the budget setting process. The impact assessment highlights that the more detailed expenditure against the budget in relation to individual policies and initiatives will have more direct relevance to both the general equality duty and the protected characteristics and where deemed relevant should be subject to their own impact assessment. For example, the ongoing consideration of the uniformed structure would be relevant to the general equality duty on the grounds of preventing unlawful discrimination and promoting the equality of opportunity. Overall, the Resource Budget does not present any obvious barriers for continuing to make a positive contribution on the grounds of equality.
- 9.2 Budget plans have been developed in consultation with representative bodies.

## **10 CORE BRIEF**

- 10.1 The Director of Finance & Contractual Services advised the Board of the proposed Resource Budget for 2016/17 and sought approval. The total Resource Budget for 2016/17 will be set at £259.221million, in line with resource budget funding from the Scottish Government.

**Alasdair Hay**  
**Chief Officer**

**31 March 2016**

**SCOTTISH FIRE & RESCUE SERVICE**  
**Resource Budget 2016/17**

**Appendix A**

**2015/16**  
**Revised**  
**Budget**

**2016/17**  
**Budget**

205.282	Employee Costs	204.868
20.125	Property Costs	20.121
16.185	Supplies & Services	16.353
0.465	Firelink	4.340
8.768	Transport Costs	8.638
1.618	Third Party Payments/Council Charges	1.650
-	Pensions Administration	0.314
4.067	Financing	3.698
(0.150)	Unallocated Savings	-
<b>256.361</b>	<b>GROSS EXPENDITURE</b>	<b>259.982</b>
(1.180)	Income	(0.761)
<b>255.181</b>	<b>NET EXPENDITURE</b>	<b>259.221</b>

**SCOTTISH FIRE & RESCUE SERVICE**  
**Resource Budget 2016/17**

**Appendix B**

2015/16 Revised Budget (excluding Employee Pension Contributions)	255.181
Add back in-year changes:	
Firelink	3.976
Scottish Public Pensions Agency - Pensions Administration	0.314
Pay Recognition	(0.250)
	4.040
Baseline Position	259.221
2016/17 pay award	1.570
Contractual pay increments	0.309
National Insurance changes	3.649
Pay Protection following harmonisation of support staff terms and conditions	0.365
Transitional staff net savings	(5.026)
Non-employee cost savings / pressures	(0.867)
	0.500
<b>2016/17 Resource Budget (excluding Employers Pension Contributions)</b>	<b>259.221</b>

Scottish Fire & Rescue Service  
Resource Risk Register

Appendix C

Risk Ref. No.	Link to Corporate Risk Register	Date Identified	Risk Appetite Category	Risk Description	Consequence of Risk	Control Measures In Place	Risk Assessment			Previous Risk Rating	Risk Appetite	Risk	Risk Owner
							Probability	Impact	Risk Rating		Impact Assessment	Movement	
Resource 1	CR7 - There is a risk to SFRS if it fails to secure Financial Sustainability.	31 March 2016	Financial	There is a risk to SFRS where decisions regarding crewing and shift arrangements are not taken/implemented effectively to enable overtime to be contained	Additional overtime may be required to maintain operational requirements this may have a significant impact on financial position	A corporate monthly resource crewing meeting chaired by DCO has been established to monitor operational requirements against financial budget, supported at SDA level by ongoing monitoring of overtime.	4	4	16		3	→	Sarah O'Donnell
Resource 2	CR7 - There is a risk to SFRS if it fails to secure Financial Sustainability.	31 March 2016	Financial	There is a risk to SFRS where the failure of aging assets leads to higher than budgeted unplanned maintenance costs	Due to funding constraints assets are maintained beyond economic life to meet operational needs. Asset failures may increase as a consequence which may impact service delivery.	Maintenance of assets in accordance with manufacturers requirements, asset faults are recorded and monitored.	3	3	9		3	→	Sarah O'Donnell
Resource 3	CR7 - There is a risk to SFRS if it fails to secure Financial Sustainability.	31 March 2016	Legal / Regulatory	There is a risk to SFRS where personnel choose to work beyond anticipated retirement date	Resources are greater than planned service delivery model or in the wrong locations.	Workforce planning information will form a key part of the resource crewing meeting (as item 1 above)ers against plan. Workforce planning reviews. Agreement on firefighter mobility will assist to ensure resources are in best locations.	2	3	6		3	→	Sarah O'Donnell
Resource 4	CR7 - There is a risk to SFRS if it fails to secure Financial Sustainability.	31 March 2016	Financial	There is a risk to SFRS where the finalisation of support staff terms and conditions results in costs beyond budget provision	New Terms and Conditions have been agreed. Appeals are ongoing which may lead to an increase in staff costs beyond budget.	Maintain financial oversight of appeals outcome. Current plan based on outcomes within the first quarter to give early certainty.	2	3	6		3	→	Sarah O'Donnell
Resource 5	CR7 - There is a risk to SFRS if it fails to secure Financial Sustainability.	31 March 2016	Financial	There is a risk to SFRS where it is unable to release savings from ICT through ongoing resource challenges	Planned savings are not realised	Digital Steering Group monitors progress on all ICT projects.	2	3	6		3	→	Sarah O'Donnell
Resource 6	CR7 - There is a risk to SFRS if it fails to secure Financial Sustainability.	31 March 2016	Financial	There is a risk to SFRS where Strategic Intent savings are delayed or less than projected	Planned savings are not realised	Strategic Intent Programme Board and Strategic Intent Executive meetings are in place to monitor progress.	2	3	6		3	→	Sarah O'Donnell
Resource 7	CR7 - There is a risk to SFRS if it fails to secure Financial Sustainability.	31 March 2016	Financial	There is a risk to SFRS where the NJC pay award is in excess of 1% per annum	Negotiation process leads to higher pay award than budget	SFRS involvement in NJC process will ensure early awareness of likely outcome.	1	3	3		3	→	Sarah O'Donnell

RISK APPETITE					
Impact	Political	Operational	Financial	Legal & Regulatory Compliance	Reputational/Stakeholder Confidence
<b>Averse</b>	Minimal tolerance for taking any decisions or actions that could result in increased parliamentary scrutiny or criticism of the Service	Defensive approach - aim to maintain or protect existing ways of working, rather than to create or innovate. Priority for tight management controls and oversight with limited devolved decision making authority. Resources withdrawn for all non-essential activities. General avoidance of system/technology developments	The key objective is to operate in line with the agreed budget profile. Only willing to accept the low cost option	Avoid anything which could be challenged, even unsuccessfully	Minimal tolerance for any decisions that could lead to increased scrutiny or criticism of the Service
<b>Minimalist</b>	Only tolerant of making decisions that contradict or challenge national or local governments where there is no chance of significant repercussions for the Service	Innovations are always avoided unless essential. Decision making authority held by the SLT. Resources allocated to core business. Only essential systems/technology developments	Only prepared to accept the potential for very limited variance in budget lines. Minimising cost is the primary concern	Want to be very sure the Service would win any challenge	Only tolerant of risk taking where there is no chance of significant repercussions for the Service
<b>Cautious</b>	Only tolerant of making statements or taking decisions that impact on the political arena where the Service has the support of key political stakeholders	Tendency to stick to the status quo. Innovations generally avoided unless necessary. Decision making authority generally held by SLT. Resources are generally allocated to core business. Systems/technology developments limited to those which are essential, unless low risk	<b>Prepared to accept the potential for some variance in budget lines and the potential for some minor underspend/overspend. Value for money is the primary concern, with an emphasis on quality as well as price</b>	<b>Limited tolerance for sticking our neck out. Want to be reasonably sure the Service would win any challenge.</b>	Only tolerant of risk taking where there is limited chance of significant repercussions for the Service
<b>Open</b>	<b>Appetite to take decisions which may expose the Service to additional parliamentary or political scrutiny, but only where appropriate steps have been taken to minimise any exposure</b>	Innovation supported as long as there is a commensurate improvement in management control. Responsibility for non-critical decisions may be devolved. Resources are allocated to capitalise on potential opportunities, not just to deliver our current practises. Systems/technology developments considered where these will enable delivery.	Prepared to take some financial risk by investing in new projects or activities ( recognising that this could result in overspend / underspend ) as long as appropriate controls are in place. In assessing value for money, quality considerations are weighted more than price	Challenge will be problematic but the Service is likely to win it. The gain will outweigh the adverse consequences.	<b>Appetite to take any decisions which may expose the Service to additional scrutiny, but only where appropriate steps have been taken to minimise any exposure</b>
<b>Hungry</b>	Appetite to take decisions which are likely to expose the Service to additional political, media and parliamentary scrutiny where the potential benefits to the Service outweigh the risks	<b>Innovation pursued, desire to break the mould and challenge working practices. High levels of devolved authority, management by trust rather than tight control. Resources are allocated to areas of work where there are guarantees of success - investment capital type approach. New technologies viewed as a key enabler of operational delivery.</b>	Prepared to take financial risks by investing for the best possible reward, accepting that this brings the possibility of underspend/overspend.	Chances of losing are high and consequences serious. But a win would be seen as a great coup.	Appetite to take decisions which are likely to expose the Service to additional scrutiny, if the potential benefits outweigh the risks

(Red highlighted Section indicates the risk appetite level determined by the Board and SLT)

RISK ASSESSMENT					
Impact	Political	Operational	Financial	Legal & Regulatory Compliance	Reputational/Stakeholder Confidence
<b>1</b>	Effective Strategic Decision making, full engagement by Board and SLT and meeting in full the expectation of Scottish Government and Local Communities	No negative impact on our ability to deliver the service.	no impact on our ability to deliver a balanced budget	no adverse reputational damage to the service	Rumours, with potential for local public/political concern
<b>2</b>	Minor reduction in Board engagement, minimal impact upon achievement of strategic objectives and no adverse comment from SG	There will be a very minimal impact on our ability to deliver the service.	our ability to deliver a balanced budget will be realised with minimal adjustments	Potential unexpected external scrutiny of our activities due to non compliance. Some adverse media attention received.	Some negative Local press interest or Local public/political concern.
<b>3</b>	Question raised over effectiveness of strategic decision making, noticeable impact upon service delivery, criticism by external bodies, partners and sG	There will be a reduction in the ability for us to deliver our services and there may be minor service disruption.	action required to ensure delivery of a balanced budget. Potential adverse impact on service delivery.	Prolonged adverse media attention. Criticism of our service as a result of scrutiny by external bodies. Potential legal action.	Limited damage to reputation. Extended negative local press interest. Some regional public/political concern.
<b>4</b>	Ineffective Board engagement, challenge over strategic decision making of SFRS, failure to deliver against agreed priorities and SG criticism and threat of intervention	Service disruption for an extended period. Major consequences.	insufficient finances available to support service delivery	Ineffective governance arrangements identified resulting in Government intervention in the management of the service.	Loss of credibility and confidence in the service. National negative press interest. Significant public/political concern.

5	Failure to deliver against SG priorities, failure of Board and SLT to engage, intervention by SG and external monitoring bodies	Failure to deliver our services	failure to live within our means	failure of the service	Full Public Inquiry. International negative press interest. Major public/political concern.
---	---	---------------------------------	----------------------------------	------------------------	---

**Probability**

5	5	10	15	20	25
4	4	8	12	16	20
3	3	6	9	12	15
2	2	4	6	8	10
1	1	2	3	4	5
	1	2	3	4	5

**IMPACT**

Criteria for Evaluating Risk			
Probability	Description	Numerical Value	Plain English
1	Very Low – Where an occurrence is improbable or very unlikely	1 in 20,000	Never happened and doubt it will
2	Low - Where an occurrence is possible but the balance of probability is against	1 in 2,000	Has happened before but unlikely
3	Medium- where it is likely or probable that an incident will occur	1 in 200	Will probably happen at some point in the future
4	High- where it is highly probable that an incident will occur	1 in 20	Has happened in recent past and will probably happen again
5	Very High- where it is certain that an event will occur	1 in 2	It's already happening and will continue to do so

