

Justice Committee

Scottish Government's Draft Budget 2016-17

Written submission from the Scottish Fire and Rescue Service

1. Purpose

1.1. The purpose of this report is to provide written evidence to the Justice Committee, as requested, on the financial planning arrangements within the Scottish Fire & Rescue Service (SFRS).

2. Responses to Questions set by the Committee

2.1 *How has the SFRS budget for 2015/16 been allocated, where have savings been made, and what impact has spending levels had on services?*

The following table shows the allocation of the SFRS budget based on expenditure type and also distinguishes between fixed, variable and semi-fixed costs. Fixed costs are based on permanent employment and other long-term contracts. Semi-fixed costs are those which are not affected by activity levels eg building running costs, and contracts with a commitment of 12 months or less. Variable costs are those which can be altered in the short term, either based on activity levels or short-term decision making. Variable costs include turnout fees for retained-duty firefighters, training costs, replacement of personal protective equipment, property repairs and maintenance, and supply of smoke alarms.

£000

Category	Fixed	Semi-Fixed	Variable	Total	%
Employee Costs	186,755	-	18,127	204,882	79.0
Property Costs	10,106	5,626	4,395	20,127	7.8
Supplies & Services	7,297	6,387	6,941	20,625	8.0
Transport Costs	649	2,337	5,782	8,768	3.4
Third Party Payments	948	60	924	1,932	0.7
Financing	4,067	-	-	4,067	1.6
Gross Expenditure	209,822	14,410	36,169	260,401	100.5
Income	-	-	(1,180)	(1,180)	(0.5)
Net Expenditure	209,822	14,410	34,989	259,221	100.0
	81%	6%	13%	100%	

Over the first 3 years of SFRS it has been necessary to reduce the cost base of the organisation by £48.2million (16.5%) to accommodate a funding reduction of £31.5million (10.8%) and absorb unavoidable cost pressures of £16.7million.

In seeking to find savings, SFRS has adopted Audit Scotland's guidance to merging public bodies which indicates 4 main areas of savings being Staff Reductions, Asset and Contract Rationalisation, Streamlined Processes and Shared Support Services. The delivery of savings has been planned and co-ordinated through our Service Transformation Programme, supported by regular Gateway Reviews.

While 79% of the budget is spent on staff costs, 58% of the savings to date have been found in this area of expenditure, through creating a single Strategic Leadership Team, Incident Command System and support staff structure; as well as implementing a Resource Based Crewing model across Scotland to appropriately target our front-line resources.

The balance of savings has come from asset and contract rationalisation, streamlining processes, and consolidating our support services and systems; as well as loan charge reductions and the use of zero-based budgeting, where possible, to target resources.

The primary areas of cost pressure have been the requirement to fund VAT as well as contractual and cost of living pay increases for all staff. In achieving a collective agreement to harmonise the terms and conditions of our support staff we have invested a further 7% across the board in this budget area, against a streamlined operating model for a single national service.

A core rationale in the formation of SFRS was to drive improvement by using national assets more flexibly across the country and by creating economies of scale and skill in our operations and corporate functions, such as finance. This has allowed us to improve service performance while simultaneously generating efficiencies.

The number of both fire and special service casualties and fatalities reduced during 2014/15 and we are continuing to work hard to achieve further improvement in 2015/16. Our local authority partners have provided very positive feedback about the level of engagement from SFRS and our proactive contribution to the local community planning agenda. We have successfully combined 19 legacy payrolls from 8 different providers into a single HR/Payroll system which is delivering financial savings, process improvements and easily accessible, consistent management information in relation to our employees. Furthermore, external audit and inspection bodies have noted continued service improvements since the inception of the service in April 2013.

2.2 What is the current position with financial planning for 2016/17; including details of how SFRS are planning they would respond to a range of budgetary allocations?

Financial planning for 2016/17 is well underway, with the Board due to approve our Budget Strategy at its meeting on 26 November.

The Financial Memorandum to the Police and Fire Reform (Scotland) Act 2012 set a target for the Scottish Fire & Rescue Service to achieve savings of £328million by 2027/28. Audit Scotland noted in its report in May 2015 that the Service is on track to exceed this figure.

During 2014/15 we developed a Critical Savings Pathway in which we have identified the anticipated financial impact of the various initiatives we have underway to deliver gross recurring savings of £55.3million up to 2019/20. We are also in the process of developing a Long Term Financial Strategy, as recommended by Audit Scotland, which aims to look ahead to 2025/26.

Specifically in relation to 2016/17, we have estimated that costs will increase by c. £7million, primarily in relation to the increase in National Insurance resulting from changes to the State Pension, as well as cost of living pay increases for all staff. We have also estimated that our savings initiatives will deliver cost reductions of broadly similar value, primarily in relation to control room rationalisation and our Resource Based Crewing model.

As such a “flat cash” budget settlement could be managed by the Service. If there was to be a cash increase in the budget it would be possible to further invest in the skills and capability of our personnel to support partner organisations in meeting the challenges of inequality and an aging population. Funding would also be targeted to supporting our Digital Strategy to deliver greater process improvement, contract rationalisation and operational efficiency, thereby enabling a smarter, more efficient organisation for the future. If there was to be a cash reduction in the budget this would be extremely challenging given the significant cost reductions in recent years and the highly fixed cost nature of the Service.

2.3 What are the areas that SFRS has identified as requiring additional spending or having scope for savings in 2016/17?

These have been identified at 2.2 above.

2.4 Are there any potential areas for savings that have been considered but rejected?

All areas of deliverable savings are being considered.

2.5 Are there any significant factors which limit the flexibility of SFRS in managing relevant budgets and making savings?

Since April 2013 SFRS has made recurring cash savings of £48.2million and has a further c. £7million planned up to 2019/20. Delivering these savings has involved significant redesign of the Service, including streamlining of processes and managerial structures.

There is limited flexibility to make short term savings due to the high percentage

of budget allocated to employee costs, most of which is fixed cost due to employees' contractual terms.

The Service is committed to the Government's policy of No Compulsory Redundancies and as such employee cost reductions are limited to voluntary resignation/retirement.

A Voluntary Severance/Early Retirement Scheme was in place for Support and Control Staff to support the integration of the Service during the Reform period, which has largely enabled us to put in place a fit for purpose staffing structure among these groups. The application of this Scheme was supported by Transitional Funding up to 2014/15.

There is no Voluntary Severance/Early Retirement option for firefighters, which is consistent across the UK. Any proposal to make an Early Retirement scheme available would require a change in the firefighters pension regulations and would require to be funded.

Scottish Fire and Rescue Service
25 November 2015