

Update on Public Value and Cost Reductions

Report of the Chief Fire Officer

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1 Purpose of Report

This report updates Members on the Public Value / Integrated Risk Management Staff Consultation Exercise 2011 and the current cost reduction plans for the Authority.

2 Recommendations

The Fire Authority is asked to:

- a) Note the contents of the report; and
- b) Congratulate all staff of the Authority for taking a part in securing the future of the Service through these necessary cost-cutting measures.

3 Background

Due to unprecedented central government grant reductions, estimated to be around 27.8% over the next few years, coupled with continual inflation rises, this Authority is working hard and exploring every opportunity to reduce its annual £21 million running costs by up to £4 million by 2015/16.

To achieve this, whilst still endeavouring to protect front-line services, the Authority implemented a *Public Value* based process that used the ideas of all members of staff and many members of the public to identify:

- What are the essential services we deliver?
- What quality of service is demanded from us?
- What can we stop doing or do differently to reduce our budget?

Senior Managers and Members have visited every station and department at least twice since 2010, gathered more than 300 ideas and spoken at length to members of the public in developing the budget reduction plan.

The outcome of the exercise is a four-year Public Value plan, setting out areas of financial savings amounting to approximately £2.8m, which was approved by the Fire Authority.

4 Public Value / Integrated Risk Management Staff Consultation Exercise 2011

During 2011 the Service has facilitated a total of 43 Member-led staff consultation sessions undertaken with employees from across the entire organisation. The sessions (each of approximately 2 hours duration) have sought to:

- Provide an impartial and objective overview of the national economy, setting into context the impact of the recession upon all areas of the public and private sector.
- Set out the most likely implications of the Coalition Government's austerity measures upon the Service's budget and the impact of decreasing grant allocations and precept increases.
- Provide an update on the Public Value measures implemented during 2011, together with those measures scheduled to take place in 2012.
- Review and update staff regarding actions set out within the Fire Authority's Integrated Risk Management Plan (IRMP) 2009/10.
- Enable staff the opportunity to brief both Members and senior management on local initiatives to support delivery of the IRMP and the Fire Authority's Service Plan 2011/12.
- Offer a 'look forward' to likely activities, arising through the Public Value and IRMP programme for 2012. This will include a repeat of the Public Value table-top exercise of 2010 and a refresh of the Authority's IRMP to meet the expected changes set out in the new Fire and Rescue Service National Framework (which is not yet published).

The consultation exercise has been extremely well attended and moreover received positively by staff, who have commented that they feel *"more informed and understanding of the bigger picture."* As the Service moves closer to 2012 and embarks upon further cutbacks it does so, at this stage, with the continued support of staff in seeking innovative and collaborative solutions to address the budget deficit.

The implications of the 2011 budget cuts upon the existing IRMP are being monitored and will be reported to the Authority in the New Year.

5 2011/12 Reductions

Within 'Year 1' of the four-year plan an ambitious target of £1.1m in savings was set out over ten cross-departmental areas. The following reductions in budget (Table 1) have been successfully delivered to date:

Area	Reduction £
Reduction of 6 Incident Commanders and ancillary costs	372,000
Removal of 4 wholetime Watch Commanders from Tweeddale fire station	172,000
Removal of 4 Area Support Officers for rural areas	148,000
Removal of two support staff posts	50,000
Removal of 5 on-call firefighter posts	30,000
Reduction in rural firefighting budget	50,000
Pay budget reductions	100,000
Renegotiated insurance contracts	100,000
Reducing or eliminating staff catering	63,000
Reduction in capital programme	63,000
Total	£1,148,000

Table 1: Public Value Savings Year 1

The above reductions were, in the greatest part, achieved through the natural retirement of staff and imposing a recruitment freeze (where achievable). These early savings (as reported in other papers to the Authority), if utilised strategically, represent a real opportunity to offset long-term revenue costs to the Authority.

6 Future Planned Budget Reductions

Members will be aware that Government previously stated that cuts to Fire Service grants would be *back-loaded* (2013/14 and 2014/15), unlike local authorities, who are likely to experience their greatest grant cuts in 2011 and 2012. At this stage, it is speculated that the Authority will need to reduce costs by around £4m by 2015. Current identified Public Value budgetary reductions amount to just under £3m, leaving a further £1m of savings to be identified.

In addition to the £1.1m savings set out in Table 1 (above), the Public Value programme sets out a range of further cost reductions for the next three years, which amount to approximately £1.6m. These can be found in detail in previous papers to the Authority but in summary they are (Table 2):

Area	Reduction £
Support staff posts	150,000
On-call firefighters	90,000
Rural firefighting budget	50,000
Capital budget	375,000
Building maintenance budget	100,000
Wholetime firefighters	594,000
Fire prevention budget reductions	75,000
Training instructors	43,000
Senior Commanders	100,000
Other smaller item reductions	30,000
Total	£1,607,000

Table 2: Public Value Savings Years 2-4

7 Further Cost Reductions – Potential Implications for Fire Stations

Current predications indicate that, despite the collective best endeavours of staff to date, the planned cuts identified through the Public Value process will be insufficient to meet the total £4m estimated cuts required to balance the Authority's budget by 2015/16.

The Public Value process will be repeated in full during the spring / summer of 2012, but it is anticipated that amounts in excess of the £3 million already identified will be extremely difficult to find without direct cuts to front-line services.

The true magnitude of cuts necessary to achieve perhaps an additional £1m budget savings cannot be underestimated: they could, in extreme circumstances, result in measures that lead to:

- The reduction of 1 wholetime fire engine in Shrewsbury or Telford
- and/or
- The closure of 5 rural fire stations.

Other stations might also be put at risk in order to meet the required funding cuts. This will obviously have a direct impact of increasing the risk to the public through increased attendance limits and a reduced workforce.

The changes outlined above, if implemented, would be based on those already outlined in previous IRMPs.

Clearly the community, Authority or Service does not wish to see this scale of reductions. The Chief Fire Officer has clearly stated that the current attendance times in the County of the first fire engine in 15 minutes on 85% of occasions is already a bare minimum safe level. As a consequence, the Authority will, no doubt, wish to explore as many other options as possible, including asking Government to look once again at the level of grant reductions, which this Fire Authority is facing.

8 Financial Implications

The financial implications are as set out in the main body of the report.

9 Legal Comment

There are no direct legal implications arising from this report.

10 Equality Impact Assessment

This report is purely an update on projects to date and so the recommendations within the report have no impact on people. Each relevant budget reduction plan will be separately risk assessed for impact.

11 Appendices

There are no appendices attached to this report.

12 Background Papers

There are no background papers associated with this report.