

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

17 SEPTEMBER 2018

1. DELIVERY OF STRATEGY 2018-2021 AND ASSOCIATED 2018-2019 BUDGET ADJUSTMENTS

Joint report of the Chief Fire Officer and Treasurer.

RECOMMENDED

- 1.1 THAT Members note the specific impacts of preferred option(s) on the Integrated Risk Management Plan (IRMP) and associated revisions to The Plan.
- 1.2 THAT members identify the preferred option(s) for short-term financial control measures to deliver a balanced budget for 2018-2019 and approve the associated revisions to The Plan.
- 1.3 THAT Members note that the Chief Fire Officer through Authority approved accountabilities will manage resources and determine and manage fleet availability, to support the delivery of options as appropriate.

2. PURPOSE OF REPORT

At the Executive Committee on 6 June 2018, Members agreed that as a result of withdrawing new entrants contracts, changes would be required to the strategy as set out in The Plan 2018-2021. It was also recognised that there would be a requirement to change the Authority's Financial Efficiency Plan (FEP) and identify the preferred option(s), to ensure a balanced budget in the current financial year.

3. BACKGROUND

- 3.1 To support the resolution of the Trade Dispute, on 6 June 2018 the Executive Committee took a decision to withdraw new entrants' contracts. These contracts enabled the ongoing delivery, within the current Service Delivery Model (SDM), of new activities that were linked to the Authority's strategy including commissioned health work and contribution to the health & wellbeing agenda through our Prevention Strategy including elements of the safe & well visits.

3.2 Following this decision, there is a need for Authority to identify the immediate in-year (2018-19) preferred option(s) to enable for effective financial management, delivery of a balanced budget and revisions to The Plan. This immediate position is influenced by the following factors, (which have been presented in more detail in 'The Strategy 2018 - 2022' report):

- Potential impact on the prevention priority and more specifically the health and well-being objective, which will be monitored through the Authority's Quarterly Performance Review meetings including Corporate Performance Indicators.
- Planned transformational change that would deliver anticipated financial efficiencies is now unlikely to be achieved.
- The intention of reaching a local collective agreement with representative bodies, as an enabler for transformation to provide financial (and other) benefits to staff, whilst providing organisational sustainability, is now unlikely. This has a direct link to the Late Shift Allowance and Staffing Disturbance Allowance, which are funded in this current financial year through Reserves but remain unfunded for future years creating additional pressure on the FEP.

3.3 The Authority's approved FEP includes £2M Alternative Funding to be generated by 2019/2020, with £1M being generated within the current financial year. As detailed in the 'The Strategy 2018 - 2022' report, due to the change in strategic direction and subsequent withdrawal from delivering commissioned health activities, the £1M target is unachievable. This will leave a shortfall in the Authority's 2018/19 budget.

3.4 The income generated from the three "Non-Emergency Falls Response" contracts is estimated to be £250K in the current financial year (after allowing for the contract termination periods), resulting in a shortfall in Alternative Funding in 2018/19 of approximately £750K.

- 3.5 As referenced in paragraph 3.2, it should also be noted that funding of £600K for Disturbance Allowance and £300K to maintain the Late Shift Allowance, was provided for in the 2018/19 budget from Reserves. This was in anticipation that both Allowances would cease from 2019/20 onwards. The failure to achieve the removal of these Allowances will create further budget pressures in future years, in addition to the £2M Alternative Funding shortfall referred to in paragraph 3.3.

4. **Options to deliver a Balanced Budget**

- 4.1 In considering the options detailed below, there will be a requirement to consider the Authority's IRMP as outlined in 'The Strategy 2018 - 2022' report (Agenda 8). It is important to recognise that whilst the baseline level of risk within the West Midlands has not changed, the Authority's ability to mitigate against the identified risk will be affected as a result of the financial situation. The options presented below outline the effect of revising the control measures currently established, to mitigate the risk to our communities.
- 4.2 WMFS had developed a revised staffing model, which is both effective and efficient in delivering financial savings towards the FEP and improving services to the community through increased appliance availability, leading to improved attendance times to emergency incidents.

	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
% Fleet availability	99.13	99.01	99.28	99.13	99.40	98.11	98.90	99.03	99.07	99.10	98.84	98.77

Table 1 Fleet availability due to staffing 2017/18

- 4.3 The two key principles that underpin the new staffing model are:
- Optimum Crewing Levels, whereby only the required number of staff are on duty when needed. As far as practicably possible all other related activities such as training, prevention and protection are delivered whilst staffing a fire appliance which remains available for emergency response.

- Employing less station-based staff than needed to deliver the staffing model and using existing staff to deliver Voluntary Additional Shifts (VAS) and resilience cover. This is cost effective for the organisation and allows staff to earn additional income, at a time of extended pay constraint, on a voluntary basis. This approach is facilitated by a local collective agreement with the representative bodies.

4.4 Due to the immediate control we have with the new staffing model, an effective financial control measure can be utilised through reduced use of VAS within the Service, leading to a reduction in fleet availability. This approach is already applied to manage the staffing budget around first day absence, whilst maintaining high levels of appliance availability as shown in Table 1 above.

Option A – Proactive and planned reduction in VAS to enable savings

4.5 To deliver a balanced budget and meet the gap from the estimated Alternative Funding shortfall within the FEP of £750K, there is an opportunity to fully manage the situation through a reduction in the use of VAS from 1 October 2018 until the end of the financial year. The impact on the IRMP is outlined in the table below. This approach is also flexible and can be dynamically scaled down, or increased if additional/reduced funding is applied to the gap identified above.

Impact on IRMP of reducing VAS

No. and type of Vehicles OTR per Shift	Reduction in VAS over 24 hours (2 shifts)	Impact on Cat 1 average attendance times (5 minutes)	Average impact on fleet availability % per day	Impact on 2 nd appliance on last year's average 7:05 minutes	Reduction in prevention activities (Safe& Well)	Annual Financial Saving
<u>Option One (A) – Based on the 2nd PRLs at Highgate, Coventry, Walsall.</u>						
3 (PRLs)	30	No difference	94.59	9.0% increase (38.3 seconds)	186 per month	£1.35 million
<u>Option Two (B) – Based on two 2nd PRL's being removed at Highgate and Walsall</u>						
2 (PRLs)	20	No difference	96.4	8.4% increase (35.7 seconds)	124 per month	£0.9 million
<u>Option Three – Four BRV's chosen based on resource utilisation Scenario's 7 & 8</u>						

4 (BRVs)	24	0.0 - 0.4% increase (0 - 1.1 seconds)	92.79	4.8 - 5.4% increase (20.4 - 23 seconds)	248 per month	£1.1 million
<u>Option Four – 5 BRV's based on resource utilisation rates Scenario's 9 & 10</u>						
5 (BRVs)	30	0.4% increase (1.1 seconds)	90.99	6.6 - 9% increase (28.1 - 38.3 seconds)	310 per month	£1.35 million
<u>Option Five – Walsall PRL and 2 BRV's</u>						
1 PRL and 2 BRVs (example)	22	No difference	94.59	8.1% increase (35 seconds)	186 per month	£1 million

- 4.6 This approach most flexibly supports the outcomes from the IRMP and promotes dynamic utilisation of resources within existing policies and agreements, therefore not requiring negotiation or agreement with representative bodies. Adopting this approach either in full or at scale, could also serve as a catalyst for change in future years, providing a transitional path or 'step change' towards greater and more significant financial saving requirements in following years.

Option B – Use of General Reserves

- 4.7 As part of the 2018/19 to 2020/21 budget approved by the Authority on 19 February 2018, it was highlighted that in order to assist with the Authority's transformational service changes, the use of General Reserves was required in each of the financial years 2018/19, 2019/20 and 2020/21. This meant the level of General Reserves was estimated to be approximately £5M by the end of 2020/21.
- 4.8 In setting out the strategy, it was recognised that the use of General Reserves is not a sustainable means of funding the Authority's revenue budget. The further use of General Reserves could be a consideration to meet any budget shortfall in 2018/19. However, it needs to be recognised that such an approach would compromise the Authority's ability to deal with future anticipated Government core funding reductions from 2020/21 onwards and/or further limit the funding available for future capital expenditure requirements.

5. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out, as the matters contained within this report do not currently lead to a policy change. An initial and where appropriate full EIA will be conducted on each option that is taken forward for further consideration.

6. **LEGAL IMPLICATIONS**

- 6.1 Any significant change to the IRMP requires public consultation, as well as consultation with stakeholders as required under the NFD. Changes to the IRMP will be cognisant of the duties placed on West Midlands Fire and Rescue Authority (WMFRA) within the Fire & Rescue Services Act 2004 and the National Framework Document.
- 6.2 This report also takes into account the legal duties placed on WMFRA under the Local Government Finance Act 1992 and Local Government Act 2003, in relation to reserves and the requirement for WMFRA to achieve a balanced budget.

7. **FINANCIAL IMPLICATIONS**

These are set out in the body of the report.

BACKGROUND PAPERS

Authority Report 19 September 2016 – Efficiency Plan 2016/2020

Authority Report 19 February 2018 – The Plan 2018-2021

Authority Report 19 February 2018 – Budget and Precept 2018/2019

Executive Report 6 June 2018 – Delivery of The Plan 2018/2021

Authority Report 17 September 2018 - The Strategy 2018 - 2022

The contact name for this report is DCFO Philip Hales, telephone number 0121 380 6907.

PHIL LOACH
CHIEF FIRE OFFICER

MIKE GRIFFITHS
TREASURER

Ref. AU/2018/Sept/92108181

(Official – WMFS – Public)