

Governance, Audit & Scrutiny Committee
11 June 2013

Report by the Chief Fire Officer &
Chief Executive

FINDINGS OF THE REVIEW OF EFFICIENCIES AND OPERATIONS IN FIRE AND RESCUE AUTHORITIES IN ENGLAND

REPORT EXECUTIVE SUMMARY

Sir Ken Knight's report 'Facing the Future' was published on 17th May 2013. It reports the findings of the review of efficiencies and operations in Fire and Rescue Authorities (FRAs) in England commissioned by the Government in December 2012.

The report concludes that demand on the Fire and Rescue Service has fallen by 40% in the last decade but that the amount of personnel and resources deployed has remained largely the same. It identifies a number of ways by which FRAs could reduce cost whilst remaining effective.

The purpose of this paper is to provide Members with a local view of Sir Ken's report and to recommend actions for the immediate future.

RECOMMENDATIONS

1. That Members consider this report and:-
 - (a) continue with the current planned efficiency programme; and
 - (b) submit a response to the efficiency review for consideration by the Fire Minister.

BACKGROUND

2. Sir Ken Knight was commissioned by the Government in December 2012 to undertake a review of efficiencies and operations in FRAs across England. As part of the review Sir Ken visited 16 authorities including Humberside Fire Authority.
3. In preparation for the review the Chief Fire Officer submitted a report to Sir Ken outlining the performance of Humberside Fire and Rescue Service (HFRS) and the efficiencies made so far. Sir Ken visited Service Headquarters on 26th February 2013 where he met with the HFA Chair and the Corporate Management Team. Sir Ken received a presentation which prompted a lengthy discussion into the challenges facing the Fire and Rescue Service in general and HFRS in particular.
4. Sir Ken's report 'Facing the Future' was subsequently published on 17th May 2013 and a copy was sent to all Members of HFA. A summary of this report may be found at Appendix 1.
5. Prior to visiting FRS's Sir Ken's team undertook a desk-top review of the data relevant to FRS efficiency. It has been confirmed that this data, the most current at the time, is approximately 12 months' old. Whilst it was accurate when published it is likely that most FRS's have reduced their costs in the light of grant reductions and the council tax freeze.
6. However, the conclusions drawn by Sir Ken are in the most part reasonable and do provide 'food for thought' as to how FRS's might drive out more efficiencies in the future. Conspicuous by its absence was reference to the GAS committee which Sir Ken regarded as notable practice. This is disappointing in the light of his criticism of the independence of scrutiny in the CFAs and Metropolitan FRAs.
7. On 23rd May 2013 the Fire Minister, Brandon Lewis, and Sir Ken Knight held a tele-conference to provide the opportunity for officers and Members to ask questions and comment on the report. During that tele-conference the Minister stated that he would carefully consider the report and that he would respond to it in the Autumn of 2013. He encouraged officers and Members to comment on the report and he undertook to consider such comments before responding formally. In the meantime FRAs were advised to continue making efficiencies and to consider implementing efficiency options identified by Sir Ken.

OVERVIEW

8. The report focuses on the fact that demand for FRS emergency response has fallen by 40% in the last decade but that the number of staff employed and therefore cost has barely changed. Whilst this may be the case in some FRS's many, including HFRS, have reduced their whole time establishment significantly during that period. HFRS has reduced the whole time establishment from 714 in 2003 to 528 in 2013. Set against this, however, is an increase in support staff to fulfill front-line functions such as community safety and enforcement and an increase in on-call staff. There has, however, been a reduction in revenue costs of over £5m. per year.

9. Sir Ken estimates that if all FRSs operated at the same cost per head of population as the average for England then £196m per year could be saved. Members should note that whilst previous efficiency programmes have improved our position from fifth to sixth most expensive service per head of population in England we will remain under pressure to reduce cost further. He also comments that protecting frontline services is about maintaining the service the public receives, not about avoiding redundancy or station closures. He highlights the potential to convert some whole-time duty system stations to retained duty system stations which could save up to £123m per year across England.
10. The report states that current delivery has been borne out of successive changes and that it would look very different if it was designed from a blank sheet of paper. Whilst full mergers remain an option the report suggests that significant savings could be made by merging non-operational functions (i.e. HR, payroll, legal) sharing senior officers, sharing operational cover or working more closely with other blue light services. Members are reminded that mergers and shared management teams were evaluated and rejected by the HFA in 2011 as there were many obstacles and the benefits were unclear
11. HFRS is progressing in many areas of collaboration as suggested but it is clear that the magnitude of these savings, whilst helpful, will not be sufficient to meet the forecasted grant reduction beyond 2014/15.
12. The report notes that the basis for the current funding formula is fair as it accurately links need to spend. The overall spend has however reduced so the FRS will still feel the impact of grant reductions.
13. Sir Ken questions whether the Fire sector has people with the requisite skills to trade efficiently and suggests that these may be acquired by the appointment of non-executive directors. On the development of mutuals the report recognizes that they are not the only way forward but they may present opportunities for a far different delivery model. Sir Ken also suggests that governance arrangements such as the Police and Crime Commissioner could clarify accountability and provide visibility to the electorate. He also feels that the County model has the potential to drive out greater efficiencies as fire and rescue would have to compete for resources with other functions.
14. Again HFRS are at the forefront of trading to generate income for reinvestment through HFR Solutions which has returned a surplus over £500k in its first year of trading. HFR Solutions appears to deliver many of the benefits of service mutualisation whilst ensuring that core services remain in the public sector. The governance arrangements currently in use by the HFA provide genuine and unique independent scrutiny ensuring accountability and transparency within the CFA model.
15. In the final chapter Sir Ken highlights some broad options to release greater efficiencies but acknowledges that these would need to be driven by Government; these can be found in Appendix 1.
16. In conclusion Sir Ken is critical of Officers and Elected Members but does not highlight the lack of leadership of Central Government. That said, many of the observations he makes and conclusions he draws are reasonable.
17. The HFRS Vision recently approved by the HFA should in the fullness of time deliver many of the efficiencies identified by Sir Ken. The Operational Efficiencies Programme has the potential to release significant further savings and still meet our response standards. The review of non-frontline services has already released savings and further potential has been identified through possible collaboration with South Yorkshire FRS and Humberside Police. A medical response pilot is underway

in the East Riding and in North East Lincolnshire and further collaboration with both Ambulance Trusts looks promising.

18. Until the Minister responds to Sir Ken Knight's review HFRS should maintain its present direction in the knowledge that its efficiency strategy is well thought out and achievable. The pace of change is, however, dependent on Government's willingness to provide flexibilities around redundancy payments and early access to pensions.

STRATEGIC PLAN COMPATIBILITY

19. Supports Strategic Objective 4 – Making the best use of the resources we have.

FINANCIAL/RESOURCES/VALUE FOR MONEY IMPLICATIONS

20. This review identifies how Fire and Rescue Services could reduce costs. It does not however specify what savings have already been made.

LEGAL IMPLICATIONS

21. None at this time. This is not a Government report and as such has no statutory implications.

EQUALITY IMPACT ASSESSMENT/HR IMPLICATIONS

22. None at this time though implementation of some options would have a significant HR impact.

CORPORATE RISK MANAGEMENT IMPLICATIONS

23. None at this time. Current efficiency options and risk management processes are sufficient.

HEALTH AND SAFETY IMPLICATIONS

24. None at this time.

COMMUNICATION ACTIONS ARISING

25. This report is available on the Service Portal. A response from HFA will be sent to the Minister.

DETAILS OF CONSULTATION

26. HFA Members have received a copy of this report.


BACKGROUND PAPERS AVAILABLE FOR ACCESS

27. 'Facing the Future' – Members each have a copy. Available on the Service Portal.

RECOMMENDATIONS RESTATED

28. That Members consider this report and:-
 - (a) continue with the current planned efficiency programme; and
 - (b) submit a response to the efficiency review for consideration by the Fire Minister.

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Facing the Future

Findings from the review of efficiencies and operations in fire and rescue authorities in England

Introduction

Sir Ken Knight was commissioned by the Government in December 2012 to undertake a review of efficiencies and operations in fire and rescue authorities (FRAs) across England. As part of the review Sir Ken visited a number of FRAs and also welcomed written submissions from other authorities.

The review focuses on five main chapters:

- **What is efficiency and how efficient is the delivery of fire and rescue services in England?**

This examines how the number of incidents attended and expenditure has changed over time and provides an indication on the scope for potential efficiencies.

- **Deploying resources**

This examines the use of crewing systems and arrangements for undertaking fire prevention and enforcement work, as well as covering the issue of latent capacity.

- **Collaborating for efficiency**

This examines the scope for collaboration and sharing services across the sector.

- **Driving efficiency**

This chapter looks at the funding settlement and the use of charging/trading, as well as discussing accountability and peer review.

- **What is the future for fire and rescue?**

The final chapter provides some suggestions for future operating models, governance arrangements and opportunities to collaborate.

The summary will outline each of the chapters in further detail.

What is efficiency and how efficient is the delivery of fire and rescue services in England?

The key findings from the review highlight the 40% reduction in incidents between 2001/02 and 2011/12 yet the levels of expenditure and numbers of firefighters remains broadly the same. Sir Ken also makes reference to the perception that there appears to be little relationship between levels of expenditure and outcomes, given the variation in levels of expenditure per head of population.

Sir Ken suggests that if the highest spending authorities (spend per head of population) were to reduce their expenditure to the average level then this would generate savings of £196m per year.

Deploying resources

The review makes reference to the fact that the whole-time system of crewing has changed little over the past 30 years and says that there remains a range of opportunities to modernise crewing through altering shift times, dual crewing or the use of annualised hours or self rostering. Sir Ken also highlights the challenge for FRAs in making the best use of on-call staff to reflect a reduced-demand environment. He states that increasing the use of on-call staff by 10% could save up to £123m per year on a national level.

The review makes reference to the use of operational and non-operational personnel in providing community safety work and regulatory fire safety work. The review suggests that community safety work being provided largely by operational firefighters in conjunction with partners and regulatory fire safety work undertaken by non-operational (green book) staff would be an appropriate model to ensure a mix of efficiency and also ensuring staff had the necessary level of technical expertise.

The review also states that where grey book staff are used for community roles their contribution is measured, making reference to the work done by the Chief Fire Officers Association (CFOA) to examine social return on investment. The other point made is that authorities need to ask themselves to what extent community work is done as a result of latent capacity or whether latent capacity is built into provision to allow time for community work.

The review also found that a number of FRAs were yet to reform their flexible duty system, which led to variances in the levels of expenditure and the ratio of firefighters to senior managers. The review recommends that authorities look to adopt staff to management ratios as per the leanest arrangements in their governance type (county, combined, metropolitan etc) to potentially save up to £17m per annum. There is also scope for efficiencies in sharing senior operational command rotas between services.

Sir Ken affirms his support for FRAs targeting those who are most vulnerable and at risk and highlights that best practice come from authorities who are sharing data with partners to identify those people within the community. He also states that, particularly in combined authorities, there is a case for members to go back to their constituent authorities to press for better data sharing.

Sir Ken also encourages local leaders to listen closely to the views of business when framing regulatory services and following the outcome of the Primary Authority Scheme pilots. He did note that during the review he heard little about the role that authorities play in ensuring and promoting the safety of businesses locally. However this may reflect the number of authorities that were visited as part of the review and its short timescale.

Collaborating for efficiency

The review states that the current delivery model is one that has been borne out of successive changes and the model would look different if designed from a blank sheet of paper. In this chapter the review outlines some identified opportunities for collaboration.

Full mergers, while offering significant opportunities for collaboration, are not the only routes that need to be pursued. Sir Ken highlights that while nearly half of FRAs have invested in shared control systems, they have not taken the next step of merging premises, staff and practices. Shared control rooms will naturally also lead into discussion around greater interoperability.

The review questions the need for each individual authority to maintain its own teams in areas such as human resources, payroll and legal services and states that more can be done across the board to share support functions.

In relation to procurement, the review suggests that no individual authority should procure alone (and where they do should evidence further cost savings) and that procurement experiences should be shared and structures such as the Cabinet Office pipeline should be utilised.

The review highlights evidence of duplication in effort when designing, commissioning and evaluating the procurement of fire specific products. The review states that FRAs need to be prepared to buy more generic items to avoid over-specification; share procurement teams (possibly outside of the fire sector) and put more emphasis into evaluation and sharing results so that good practice is spread and effort is not duplicated (such as testing work on products).

Collaboration with other emergency services is an area that is focused upon in the review and Sir Ken takes a positive view of co-responder schemes but suggests a more uniform approach to developing arrangements; involving employers, representative bodies and the ambulance service. In relation to the ambulance Hazardous Area Response Teams (HART teams) he asks whether HART teams and Urban Search and Rescue teams could be merged. He also states that there is a significant opportunity to develop co-location between services to rationalise the public sector estate.

Driving efficiency

The review notes the reductions in central funding, however Sir Ken states that in his view the basis for the funding formula is fair. He does however question the increase in the level of reserves that FRAs hold and suggests that the current environment may be a good time to use reserves for an invest-to-save programme.

The review highlights the current constraints that authorities face in relation to trading, but does question whether the fire sector has the requisite skills to trade efficiently and if existing governance structures provide sufficient challenge from a business perspective. Sir Ken states that a non-executive director or similar may provide additional challenge. He also questions whether trading will bring authorities and other providers into competition and may actually hinder collaboration rather than encourage it.

On the development of mutuals, the review recognises that they are not a panacea but do present opportunities. However it also highlights the risk of losing public and political trust with a well respected and established brand without the underpinning assurances.

The review makes note of the rationale behind the introduction of the Police and Crime Commissioner governance model and says that a similar model for fire could clarify accountability arrangements and ensure visibility to the electorate.

The review also states that the Local Government Association peer review process needs to inspire confidence but the ability of services to choose the review team and review reports may undermine this. One solution put forward is for the LGA to hold a list of reviewers, noting their specialisms that FRAs could request and to allocate them to the next area seeking a review. Sir Ken highlights the use of the European Foundation Quality Model to review and benchmark performance and states that more use could be made of the Audit Commission's value for money tool.

The review calls on fire authority members to ensure there is understanding that it is they who are responsible for the service in their area and that the authority is accountable for the delivery of an efficient and effective service.

In relation to facilitating collaboration, the review highlights the leading role that the Chief Fire Officers' Association and Local Government Association could provide in developing co-responding schemes. Similarly there may be scope for CFOA and the Fire and Rescue Suppliers Association to produce guidance on specifications for fire products in order to reduce costs.

The review does state that a three-year term of leadership at CFOA may provide more consistency and coherence when dealing with government and draws parallels with the Association of Chief Police Officers and Association of Ambulance Chief Executives.

What is the future for fire and rescue?

The review makes some broad suggestions for the future delivery of fire and rescue services in light of the findings and the current environment.

The demographic pressure over the next 20 years and lifestyle habits indicate that FRAs will need to continue prevention work and that it must be placed high on the agenda and facilitated by effective data sharing.

Industry will need to make the case to owners/occupiers of the benefits of fire suppression systems in properties - Sir Ken views this as preferable to lobbying Government to introduce more regulation.

A culture of working in partnership with the fire industry needs to be encouraged. Sir Ken suggests that the Fire Sector Federation may be well placed to further technological research and share data in partnership with FRAs.

The review highlights some broad, large-scale options to release greater efficiencies that need to be driven by government:

- Moving towards a more national model, through forced mergers or potentially a Scottish-style merger
- Embedding FRAs further into local authorities, removing stand alone FRAs and ensuring FRS funding is contested alongside other local priorities.
- Reflecting efficiencies made in the funding formula
- Enabling FRAs to procure fire and rescue services from a mutual company

- Privatising the provision of fire and rescue services
- Merging fire and rescue services with other blue-light services or improving interoperability
- Sharing governance structures, such as Police and Crime Commissioners taking on the role of an FRA
- Improving integration at government level between departments that are responsible and hold an interest in fire and rescue services and their work.

Sir Ken states that he would welcome a Police and Crime Commissioner model being trialled to examine the range of possible integration between police and fire. He also highlights that non-emergency response work could be further embedded into local authorities to ensure a more integrated provision of services; making reference to the role and opportunity provided to Chief Fire Officers within County Councils.

