AVON FIRE AUTHORITY

MEETING:	**Avon Fire Authority**
MEETING DATE:	**Wednesday, 4 October 2023**
REPORT OF:	**Chief Fire Officer/Chief Executive**
SUBJECT:	**Budget Shortfall Options**

1. SUMMARY

- In May 2023 the Chief Fire Officer commissioned a project to identify efficiencies to address the savings required to meet forecast funding pressures in the Medium-Term Financial Plan and maintain a balanced budget. Funding pressures became known following the confirmation of the Grey Book pay award and uncertain future funding settlements for 2024/25 onwards.
- The project objective was to maintain or improve Service Delivery by not closing Stations or reducing the number of appliances. This will ensure an improved service to our communities while continuing to invest in making our service stronger and keeping our communities safe.
- Key areas of focus have been crewing models on wholetime stations; the introduction of a blended fleet and reinvestment for an Alarm Response Vehicle.
- The Efficiency Project has identified a potential £2 million worth of recurrent annual efficiency savings within Avon Fire and Rescue Service (AF&RS) by 2026/27.
- The Project Team has identified that efficiencies can be achieved through natural retirement profiles but not all efficiencies will be realised in year one due to the current retirement profile of the Service. However, over years two and three all potential efficiencies are projected to be achieved.

2. RECOMMENDATIONS

2.1 The Fire Authority is asked to:

a) Approve the continued development and implementation of a crewing model that reflects 4 personnel on every pumping appliance at wholetime

stations. Crewing will be maintained on 5 at Hicks Gate where we have Key Point Indicators (KPIs) for National Resilience.

b) Approve the ongoing research and development of a flexible crewing model for Yate wholetime personnel whilst ensuring 4 personnel on the wholetime appliance to maintain a day crewed model.

c) Approve the reinvestment and introduction of an Alarm Response Vehicle (blended fleet) to create capacity for wholetime crews to be more productive in protection and prevention activities.

d) Approve the research and potential implementation of a smaller response vehicle for lower category, non-life critical incidents. This is a blended fleet option for a multi pump station to be defined by risk analysis and data.

3. BACKGROUND

3.1 Members will recall the four-year Medium Term Financial Plan (MTFP) was presented for approval at the Avon Fire Authority (AFA) meeting dated 17 February 2023. The plan covered the four-year period from 2023/24 to 2026/27 and highlighted the following incremental shortfalls in the revenue budget projections (noting a balanced position for 2023/24 was presented and therefore no shortfalls in the first year of the plan):

a) 2024/25 £1 million
b) 2025/26 £0.4 million (additional to prior year shortfall)
c) 2026/27 £0.5 million (additional to prior years shortfall)

3.2 This translates to the following annual shortfalls for each financial year:

a) 2024/25 £1 million
b) 2025/26 £1.4 million
c) 2026/27 £1.9 million

3.3 For the 2023/24 financial year the Service has been able to present a balanced budget due to the £5 Council Tax precept settlement. For future years there is uncertainty around the funding settlements and therefore a conservative assumption of a 1.99% increase per annum was modelled. The uniformed (Grey Book) pay award of 7% for 2022/23 and 5% for 2023/24 has contributed to the shortfalls outlined in paragraphs 3.1 and 3.2, in conjunction with the prudent funding settlement assumptions.

3.4 When choosing to opt for the £5 increase in the Council Tax precept services were also requested to indicate to the Home Office and the Fire Minister where further efficiencies could be made and increase the effectiveness and productivity of service provision to our communities. In addition, His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS)

inspection criteria also covers effective use of resources for prevention, protection, and response.

3.5 In addition to the shortfalls identified above, AF&RS is looking to generate a further £600k across the three-year period to allow for a contribution from the revenue budget to earmarked Capital Reserves.

3.6 A number of different models were analysed that are deemed best practice in UK Fire and Rescue Services. In doing this it allowed the team to match recommendations with best practice and local risk using the Services Cad Corp risk analysis software. This ensures AF&RS aims to maximise operational efficiency while maintaining the highest level of service and safety for our communities and staff.

3.7 The focus of this Efficiency Project is identifying efficiencies and changes to ways of working involving pay costs, as our pay related costs make up approximately 75% of our overall budget. However, alongside this project, the Service is also reviewing the non-pay costs and exploring options to ensure value for money and maximum efficiencies are achieved across all areas of the budget.

4. FINANCIAL IMPLICATIONS

4.1 To achieve the forecast efficiencies, as outlined in paragraph 3.1 above, several options have been considered as per the recommendations. The preferred option for the Service to pursue is summarised below and detailed further in section 5:

a) A crewing model of 4+4 on all stations (excluding Hicks Gate station)
b) Adopt Flexible Rostering at Yate station
c) Adopt a smaller response vehicle (blended fleet) at a multi pump station

4.2 By exploring and implementing the recommendations it is anticipated the Service can reduce its wholetime operational establishment by 40 posts, realising an annualised saving of £2m. This figure includes salary savings, along with national insurance and pension contributions.

4.3 The savings would not all be achieved in the first year of implementation, as the plan is to reduce the establishment naturally via retirements. The Service therefore needs to achieve the retirement assumptions made within the financial analysis below to avoid any further impacts on its people. However, it is recognised there will be a short-term impact on recruitment and the Service will manage vacancies through existing succession planning.

4.4 Table 1 below summarises the savings our Base Case assumptions generate and compares this to the anticipated required savings outlined in paragraph 3.2.

	2024 / 2025	**2025 / 2026**	**2026 / 2027**
	£'000	**£'000**	**£'000**
Expected Annual Deficit (as per MTFP) (A)	**(1,063)**	**(1,396)**	**(1,891)**
Recurrent Savings Identified (paragraph 4.5)			
25 retirements by 31 March 2024	1,444	1,444	1,444
7 retirements by 31 March 2025		284	284
8 retirements by 31 March 2026			335
Total Savings Identified (B)	**1,444**	**1,728**	**2,063**
Revised MTFP Surplus (A+B)	**381**	**332**	**172**

Table 1

Note in all tables, the brackets indicate a negative position (i.e., expenditure greater than income) and the positive numbers indicate savings and a positive position (i.e., income greater than expenditure).

4.5 In pursuit of this option, £885k of additional savings will be generated over three financial years to reinvest into the implementation of an Alarm Response Vehicle, this will support the blended fleet model for response. This vehicle will respond to Automatic Fire Alarms and will work with local businesses to reduce the impact of Automatic Fire Alarms and free up other appliances which can be committed to other activity for prevention, protection and response.

4.6 As noted in paragraph 5.8 the Service is looking to generate sufficient surplus within the coming three financial years to enable future investment in the Service. The preferred investment option is outlined below:

a) Purchase of an Alarm Response Vehicle assumed at £50k cost within 2025/26 financial year.
b) Creation of three additional roles within the establishment to crew this vehicle. The assumed cost per role is £51k per annum and that all three staff are in place for the start of the 2025/26 financial year.

4.7 Table 2 below demonstrates the impact of the above reinvestment option on the revised surplus presented in Table 1.

	2024 / 2025	2025 / 2026	2026 / 2027
	£'000	£'000	£'000
Revised MTFP Surplus (Table 1) (A)	**381**	**332**	**172**
One off vehicle purchase 2025/26		(50)	
Additional 3 roles created from 2025/26		(153)	(153)
Total Reinvestment Costs (B)		**(203)**	**(153)**
Revised MTFP Surplus after Reinvestment (A+B)	**381**	**129**	**19**

Table 2

4.8 The above scenario, with reinvestments, shows that should the Service pursue this option it could generate a cumulative surplus over the three years to March 2027 of £529k.

4.9 As noted in paragraph 3.4, the Service is looking to generate a surplus of £600k over the three-year period to reinvest in the Capital Programme. Achieving the efficiency savings modelled above, alongside any savings identified as part of the review of the non-pay costs, paragraph 3.6, will take the service very close to the desired outcome. If no further savings were identified the Service would just be £71k short, and able to contribute £529k to the Capital Reserve, rather than the desired £600k.

4.10 The numbers presented in this paper assume the purchase of any required blended fleet appliance, as per paragraph 4.1 c, is covered by the existing Capital Programme. The preparation of this paper also assumes there would be no change to the ongoing fleet maintenance costs in the revenue budget as a result of the investment in a blended fleet appliance.

5. KEY CONSIDERATIONS

5.1 Several options have been researched and considered. Crucial to the recommendations was that AF&RS must match resource to risk and identify options that would maintain or improve Service Delivery and ensure the same or improved service to our communities. The options considered but were not limited to are as follows:

- Using a crewing model of four on every Wholetime appliance, flexible rostering and a blended fleet using dynamic mobilisation.
- Removing Primary crewing of the Aerial appliance at 09 Temple.
- Changing our ridership factor from 1.37 to 1.2
- Reinvesting any surplus savings to enhance making our communities safer and our Service stronger.

More detail on each option is included below from paragraph 5.2 onwards.

Option Appraisal

5.2 **Crewing model of 4 on every Wholetime Appliance.** AF&RS's current crewing model is 4 on every water tender and 5 on every water tender ladder. This option would ensure the service meets and maintains its response standards as detailed in the Service Plan. All On Call appliances would still be utilised with a maximum of 5 riders on the appliance. If this crewing model was adopted, it would mean a reduction in 28 posts and would create efficiencies of £1.4m

5.3 **Flexible crewing at Yate wholetime**, this option allows for wholetime crews at Yate to use a self-rostering system ensuring a crewing model of 4 at all times. If this crewing model was adopted, it would mean a reduction in 4 posts and would create efficiencies of £206k.

5.4 **A smaller vehicle/blended fleet at a multi pump station in the Bristol area.** The blended fleet vehicle would be a smaller/midi type fire appliance that allows the crew of a multi pump station to dynamically mobilise depending on the type of incident they are required to attend. Risk analysis is currently taking place to identify which is the best location for this type of vehicle to be located at, initial indications are that the risk area would be within the Bristol area. The blended fleet vehicle would be mobilised as a single vehicle to non-life critical, lower category incidents and would create capacity for operational crews to complete more Prevention and Protection activity. If this option was adopted, it would mean a reduction in 8 posts and would create efficiencies of £412k.

5.5 **Removing Primary crewing of the Aerial appliance at 09 Temple**. The current crewing model of the Aerial appliance of 09 Temple is primary crewed, meaning 2 Firefighters crew this appliance every shift, whereas a secondary crewing model was considered which would mean no dedicated crew until an incident arises. The savings for AF&RS if this crewing model was adopted is £620K per year and it would mean a reduction in 12 Firefighter posts. The appliance is currently widely utilised and is in Central Bristol where most of the Tall Buildings are located. This option was not preferred because research, risk data and mapping highlighted the current crewing model matches the Services resource to risk profile.

5.6 **Changing ridership factor from 1.37 to 1.2**. A ridership factor is a figure used to ensure optimal crewing on each watch. The savings for AF&RS if the ridership factor was reduced to 1.2 would be £1.9m per year and it would mean a reduction in 38 Firefighter posts. This option was not preferred because if this option was selected it could lead to an increase in the overtime budget as there may be crewing deficiencies due to resilience of each watch.

Recommendation

5.7 The recommended options are detailed in paragraphs 5.2, 5.3 and 5.4 above. A crewing model of 4 on every Wholetime Appliance with flexible crewing at Yate wholetime and smaller vehicle (blended fleet) option on a multi pump station. A combination of the three options would create efficiencies of £2m.

Reinvestment Option

5.8 **Reinvesting any surplus savings to enhance making our communities safer and our Service Stronger**. In using a crewing model of 4 on every appliance and a blended fleet vehicle it would also allow for reinvestment. Risk mapping identifies that an Alarm Response Vehicle that responds to Automated Fire Alarms could be located in the Bristol area and operated during normal business hours, this would be crewed by either Business Fire Safety qualified staff and or operational staff. Capacity on wholetime shifts would be enhanced with the introduction of this vehicle as it would mean a standard appliance does not attend the majority of alarm calls and the crews will have capacity in being more productive in Prevention and Protection activities. This aligns with the NFCC productivity and capacity work stream.

6. RISKS

6.1 The financial analysis in this paper has all been modelled based on a set of retirement profile assumptions, this is currently on average 2.5 leavers per month. Generating the necessary savings to balance the budget is heavily reliant on the establishment reducing by a certain number for each financial year. There is a risk that retirements do not progress as modelled in this paper and therefore insufficient savings are generated. This paper does not take into account other means of establishment reduction, for example voluntary leavers pursuing careers elsewhere. This could go some way to mitigating this risk.

6.2 It is also noted that some of the assumptions underpinning the current MTFP are modelling a ‘worst case’ scenario. For example, precept levels are assumed to increase by 1.99% per annum. The funding settlements are unknown at this point, but it is possible that a higher settlement is achieved in at least one of the financial years in the MTFP and would therefore reduce the total savings required to balance the budget. There are several moving assumptions in the MTFP which will continue to be reviewed, and an updated MTFP will be prepared for approval prior to the end of the 2023/24 financial year. This will

reflect a more current set of assumptions and therefore a revised shortfall position.

6.3 Over the course of the coming months, both the retirements and the MTFP assumptions will be reviewed and monitored to ensure that any chosen course of action to achieve efficiency savings does generate sufficient savings for the Service to deliver a balanced budget.

6.4 Early collaboration and consultation with Representative bodies has taken place and the Service will continue to work with Representative bodies, Members, and the Community to ensure a robust communication strategy is in place.

7. LEGAL/POLICY IMPLICATIONS

7.1 The provisions of the Local Government Finance Act 1992 (LGFA 1992) set out the requirement for the Service to set a balanced budget with regard to the advice of its Chief Finance Officer (**section 151**). Efficiency savings are necessary for the Service to meet this requirement for 2024/25 onwards.

7.2 The Service Plan for 2023 - 2026 will have to be reviewed to include the proposals contained within this report.

7.3 The Community Risk Management Plan will have to reviewed to include the new crewing and Response model.

7.4 A review of the Mobilisation policy and Degradation Plan will be required.

7.5 A review of the Unwanted Fire Signal Policy will be required.

8. BACKGROUND PAPERS

a) Paper 8 – Medium Term Financial Plan 2023 – 2027, AFA Meeting - 17 February 2023, at the following link:

Avon Fire Authority published papers 17 February 2023

b) Service Plan 2023-2026, at the following link:

Avon Fire Authority Service Plan 2023-2026

9. REPORT CONTACT

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