Essex Fire Authority

Workforce Planning and monitoring of Utilisation

Internal Audit Report (8.12/13)
22 February 2013

Overall Opinion
This review has been performed using RSM Tenon's bespoke internal audit methodology, i-RIS.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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EXECUTIVE SUMMARY

1.1 INTRODUCTION

Since the HM Treasury’s 2010 Comprehensive Spending Review (CSR) which directed all Fire Authorities to achieve a real terms reduction to fire resource expenditure of 25% over the spending review period, Essex County Fire & Rescue Service (ECFRS) has embarked on a series of workforce planning reviews to help identify how to realise these savings while maintaining an effective service.

The Operational Rota & Service Delivery Structure review was presented to the Strategic Management Board in October 2010 and challenged the size and structure of teams, considered the future needs of Service Delivery and in particular the need to establish a structure agile enough to support future changes in the current challenging financial climate. The review moved the Service away from a seven command structure to two Area Commands (East and West) working to the ethos of the functional management model.

This project was joined by the Strategic Workforce Development Review of April 2011, an independent, strategic and professional assessment of the Human Resources and Training support functions. It translated the agreed strategic business requirements, for both HR and for Training, into a set of 54 outcomes. These outcomes are plotted over a five-year timeframe and within the categories of Strategy, Customer, People, Process and Info & Technology, and provide the basis for the transformation plan and activities.

A series of projects have been implemented in response to the Strategic Workforce Development Review, oversight of which is governed by the Workforce Transformation Programme Board (WTPB).

The Corporate Plan for 2012-15 highlights its key Human Resources & Organisational Development (HR & OD) Strategic objectives as those derived from existing workforce planning projects including those under the Workforce Transformation Programme and these have been absorbed into the Single Equity Scheme (CP 21) corporate objective, which promises to:

- Deliver innovative, best-in-class HR and OD services which demonstrably support the achievement of ECFRS strategic aims and objectives whilst ensuring legislative compliance and managing risk (CP 22);
- Support and develop ECFRS leadership capability and capacity. Embedding leadership values at all levels and empowering leaders to effectively manage performance and deliver excellence within a framework of continuous improvement (CP 23);
- Develop effective workforce planning, development and reward and recognition strategies to ensure a right-sized, right-skilled and diverse workforce and that ECFRS is the local employer of choice (CP 24);
- Support the Service’s drive for efficiency by offering value for money services through strategic management of resources and maximising opportunities for income generation and a ‘shared services’ approach (CP 25).

Aside from on-going workforce planning projects the HR & OD Department continues to deliver its business as usual functions and the annual budgeted (establishment) staff provision is informed by a business planning process which culminates in month 7 or 8 and involves teams and directorates submitting their proposed resource requirements for peer review before escalation to, and final review by, the Senior Management Board (SMB) in December. On the basis of this business planning process, the overall employments costs for ECFRS for 2012/13 were estimated at £52.473m within the Corporate Plan, a marginal increase from £52.31m in 2011/12.

An audit of Workforce Planning & Utilisation was undertaken as part of the approved internal audit periodic plan for 2012/13 and was designed to assess the controls in place to manage the following objectives and risks:

<table>
<thead>
<tr>
<th>Objective</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing effective workforce planning, development and reward and recognition strategies to ensure a right sized, right skilled and diverse workforce.</td>
<td>Failure of the workforce to support the Strategic Plan and Operational Requirements</td>
</tr>
</tbody>
</table>
1.2 CONCLUSION

Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

Effectiveness

As at the Finance Department’s November 2012 review, the 2012/13 employment budgeted financial and Full-time equivalent costs by staff type, as at 30th November 2012, were:

<table>
<thead>
<tr>
<th>Staff Type</th>
<th>Financial Resource £'000s (Accounting for in-year virements)</th>
<th>FTE Resource (Headcount for RDS Firefighters)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current Budget</td>
<td>Current Forecast</td>
</tr>
<tr>
<td>Firefighters</td>
<td>37,152</td>
<td>36,052</td>
</tr>
<tr>
<td>Firefighters - RDS</td>
<td>4,931</td>
<td>5,014</td>
</tr>
<tr>
<td>Control</td>
<td>1,716</td>
<td>1,588</td>
</tr>
<tr>
<td>Support Staff</td>
<td>9,618</td>
<td>9,958</td>
</tr>
<tr>
<td>Totals</td>
<td>£53,416</td>
<td>52,612</td>
</tr>
</tbody>
</table>

The main trend demonstrated by the table above is that all divisions are operating within their financial budget, which the exception of Support Staff. This area is under-resourced but factors such as; overtime, secondments and temporary staff deployment has increased costs to cover for the difficulties experienced in recruiting to vacant posts.

This review has also identified that while there are a number of projects on-going in relation to the Workforce Transformation Programme and other workforce planning exercises, the performance and decision-making data generated by these activities is not being utilised for central reporting to senior management as effectively as it could be.

Design of control framework

We have raised one ‘medium’ category recommendation relating to the design of control:

- There is currently no comprehensive workforce performance data reported directly by the HR department to the SMB / SDB. This increases the risk of senior management failing to be given sufficient information to effectively scrutinise workforce planning performance data in its full context to assist effective decision-making (Recommendation 1).

We have also raised one ‘low’ category recommendation in relation to the design of the control framework.

Application of and compliance with control framework

We have raised one ‘low’ category recommendation derived from non-compliance with the control framework.

Greater detail regarding all above exceptions is documented in Section 2 and 3 of this report.

Evidence of well-designed controls identified in our audit being effectively applied
Strategy
From our review we consider that the current HR & OD Strategy includes appropriate reference to workforce planning objectives which align to the Corporate Plan and that this is supported by 11 more detailed strategic business requirements showing how this strategic workforce planning objective is to be delivered.

Evidence was seen to demonstrate that all business plans have been documented to include workforce plans which have been peer reviewed before escalation to SMB. The Finance Department maintains a Business Planning Tracker as part of the business planning process to ensure that the budget is complete.

Budgeting
A staff establishment target is set each year via the workforce plans based on the needs of individual stations for whole-time fire-fighters, retained fire-fighters, as well as support and controls teams.

A Finance Budget Report is issued to the Senior Management Board and the Authority ahead of the new financial year by the Finance Director and Treasurer. This includes a section on 'Staff Numbers' which sets out the budgeted staff numbers for:
- Whole-time Fire-fighters;
- Retained Fire-fighters;
- Control staff;
- Support staff.

The Finance Department undertakes a reconciliation of its budgeted forecast to actual expenditure on a monthly basis as part of the management reporting process. This informs the twice yearly re-forecasting process which is undertaken in July and December.

The financial costs of staff are automatically calculated by the Staffing Pay Model spread-sheets through multiplication of the FTE for each grade/ band by the pay rate of that band.

Workforce Planning Projects
The Project Initiation Document (PID) for the Workforce Transformation Programme dictates that many projects are not yet due for full implementation but each is required to and was verified as having the following in place:
- Project Board;
- Project Team;
- Project Plan;
- Risk Register;
- Communication Plan.

An Operational Assurance Model/ Strategic Crewing Reserve report was presented to the January 2012 Policy & Strategy Committee setting out the outcomes of a review into ECFRS fire cover in response to the findings of the Comprehensive Spending Review (CSR).

The Operational Assurance Model and Strategic Crewing Reserve projects are not considered a significant enough project to require its own project management team/ board, but PIDs, effective risk registers and communication lines are still in place and these projects are overseen by the Assistant Chief Fire Officer for Operations.

The Retained Management Group (RMG) meets on a 6-weekly basis to oversee performance and suggest strategic changes to the retained fire-fighter workforce.

A report was produced in May 2012 in relation to Future Considerations for 2012/13 emanating from the Flexi Duty Rota project which highlights a prediction of retirement trends. Recommendations have been disseminated by the Assistant Chief Fire Officer to the Area Command Managers, who have in turn shared the information with their stations during the business planning and staffing reviews in July 2012.
The recommendations within the Operational Resilience report have been informed by the Strategic Crewing Reserve review and the Flexi Duty Rota review and in turn this has led to the identification of the need for recruitment of 12 additional staff to cover the projections of leave and retirement.

Risk Management
A review of the most recent minutes from the WTP Board demonstrates that the WTP Risk & Opportunities Log has been escalated for discussion on a quarterly basis. The latest version includes:

- 6 Amber-rated residual risks;
- 5 Yellow-rated residual risks.

Review of the operational risk registers demonstrates that the majority have identified workforce planning risks, and the HR version includes a series of workforce planning risks, including one risk of “Failure to maintain accurate workforce data to support operational delivery and financial management.”

1.3 SCOPE OF THE REVIEW
To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation’s objectives are managed effectively. When planning the audit, the following controls for review, areas for consideration and limitations were agreed:

Control activities relied upon:
- Reporting to management.
- Project plan on workforce planning.
- Establishment (budgeted staff) summary.

Areas for Consideration:
This review will consider the following:
- Workforce planning, short- and long-term, to ensure that future requirements of the Strategic Plan can be met.
- The agreement of the establishment list by an appropriate level of authority on an annual basis and the assumption used and engagement with key individuals in the considerations to the establishment list;
- Whether the organisation has a dedicated forum which is tasked with regularly reviewing the organisation’s workforce, to plan the workforce and monitor its utilisation and achievement of establishment targets including use of overtime and whether this is at an appropriately defined level.
- Whether the Service has created short and long term workforce plans which address the organisation’s objectives and key priorities.
- Whether the Service is considering the level of retained fire-fighters and how they can be utilised to assist in the delivery of workforce targets.
- Whether reconciliations performed between workforce plans, existing HR establishment and financial performance and whether existing plans are consistent with agreed upon budgets for the Service.
- If the Service has undertaken a skill gap analysis.
- The use of secondments and review of existing skills to fill posts by the Service.
- The analysis of trends relating to leave/retirement ages and whether the Service has utilised this information to aid workforce plans.
- The escalation of workforce risks within organisation risk registers.
Limitations to the scope of the audit:
The following limitations to the scope of the audit were agreed when planning the audit:

- Testing has been undertaken on a sample basis only.
- We have not provided an opinion as to whether the correct level of staff has been established to deliver organisational objectives.
- We have not provided an opinion as to whether the most efficient levels of staffing have been established or are being worked towards.
- We have not reviewed shift patterns or duty planning.
- We are not providing assurance that staffing is adequate to mitigate risks.
- In addition, our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist. It should not, therefore, be considered as a comprehensive review of all aspects of non-compliance that may exist now or in the future.

The approach taken for this audit was a Risk-Based Audit.

1.4 RECOMMENDATIONS SUMMARY

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:
Our recommendations address the design and application of the control framework as follows:

<table>
<thead>
<tr>
<th>Risk: Failure of the workforce to support the Strategic Plan and Operational Requirements</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High</td>
</tr>
<tr>
<td>Design of control framework</td>
<td>0</td>
</tr>
<tr>
<td>Application of control framework</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>0</td>
</tr>
</tbody>
</table>

1.5 ADDITIONAL FEEDBACK

We have included some comparative data to benchmark the number of recommendations made, as shown in the table below. In the past year, we have undertaken a number of audits of a similar nature in the sector.

<table>
<thead>
<tr>
<th>Level of Assurance</th>
<th>Percentage of Reviews</th>
<th>Results of this Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green</td>
<td>33%</td>
<td>✓</td>
</tr>
<tr>
<td>Amber</td>
<td>33%</td>
<td></td>
</tr>
<tr>
<td>Red</td>
<td>34%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Recommendations made</th>
<th>Average number in similar audits</th>
<th>Number in this audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recommendations made</td>
<td>4.5</td>
<td>3</td>
</tr>
</tbody>
</table>
2 ACTION PLAN

The priority of the recommendations made is as follows:

<table>
<thead>
<tr>
<th>Priority</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.</td>
</tr>
<tr>
<td>Medium</td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ref</th>
<th>Recommendation</th>
<th>Categorisation</th>
<th>Accepted (Y/N)</th>
<th>Management Comment</th>
<th>Implementation Date</th>
<th>Manager Responsible</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>The HR Department should utilise the outcomes of the Workforce Transformation Programme and the Strategic Crewing Reserve projects to help compile the data which comprises a comprehensive monthly Workforce Monitoring report that can be escalated to the SMB/ SDB for scrutiny. This report should include performance data and targets regarding:</td>
<td>Medium</td>
<td>Y</td>
<td>Initial plans for this have commenced. Amendments and revisions will continue throughout the life cycle of the WTP over the next 2 years.</td>
<td>April 2013 – for budgeted staff and retirement projections July 2013 – for sickness absence management trends / other leave management trends</td>
<td>Head of HR &amp; OD</td>
</tr>
<tr>
<td>1.2</td>
<td>The Finance Department should include in its budget review reports for the SDB,</td>
<td>Low</td>
<td>Y</td>
<td>Agreed</td>
<td>April 2013</td>
<td>Deputy Director of</td>
</tr>
<tr>
<td>Ref</td>
<td>Recommendation</td>
<td>Categorisation</td>
<td>Accepted (Y/N)</td>
<td>Management Comment</td>
<td>Implementation Date</td>
<td>Manager Responsible</td>
</tr>
<tr>
<td>-----</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>----------------</td>
<td>---------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>----------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td></td>
<td>a section recording performance against the operational assurance model FTE target for watch based whole-time fire-fighters, i.e. 680 for 2012/13 and 656 for 2013/14.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Finance</td>
</tr>
<tr>
<td>1.3</td>
<td>Once the Career Pathways / Succession Planning project, Operational Capability exercises, and the Operational Assurance Model outcomes are embedded, a skills gap analysis should be undertaken to help identify how the workforce can be strengthened and what recruitment strategies are necessary to adopt.</td>
<td>Low</td>
<td>Y</td>
<td>This will be dependent on the implementation of several workstreams and projects including the Appraisal project, roles and responsibilities and the roll out of ERB.</td>
<td>April 2014</td>
<td>Director of HR&amp;OD</td>
</tr>
</tbody>
</table>
### 3 FINDINGS AND RECOMMENDATIONS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all audit testing undertaken.

<table>
<thead>
<tr>
<th>Controls (actual and/or missing)</th>
<th>Adequate Design (yes/no)</th>
<th>Test Result / Implications</th>
<th>Recommendation</th>
<th>Categorisation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Risk: Failure of the workforce to support the Strategic Plan and Operational Requirements</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| 1.1 The SMB receives a ‘Finance report’ at each meeting.  
The SDB receives a ‘Review of Organisational Budget Position’ at each meeting.  
Both reports are prepared by the Finance department and include reference to HR workforce planning elements, including monitoring of performance against the annual staffing financial and FTE forecasts.  
However, there is no comprehensive workforce performance data reported directly by the HR Department. | No | We acknowledge that the on-going Workforce Transformation Programme and Strategic Crewing Reserve projects should help determine the mechanisms necessary to facilitate a greater level of workforce monitoring reports.  
However, without a comprehensive HR report being compiled for escalation to the SMB or SDB there is an increased risk of senior management failing to be given sufficient information to effectively scrutinise workforce planning performance data in its full context to assist effective decision-making. | The HR Department should utilise the outcomes of the Workforce Transformation Programme and the Strategic Crewing Reserve projects to help compile the data which comprises a comprehensive monthly Workforce Monitoring report that can be escalated to the SMB/ SDB for scrutiny.  
This report should include performance data and targets regarding:  
- Budgeted staff/ headcount by grade/ station/ type;  
- Sickness Absence Management trends;  
- Other leave management trends;  
- Retirement projections. | Medium |
| 1.2 The Staffing section of the Monthly Budget reviews prepared by the Finance Director for the SDB includes reference to the performance | No | The operational assurance model FTE requirement for whole-time fire-fighters is considered a key performance indicator.  
Without a protocol for monitoring performance in relation to this target as part of the budget | The Finance Department should include in its budget review reports for the SDB, a section recording performance against the operational assurance model FTE | Low |
<table>
<thead>
<tr>
<th>Controls (actual and/or missing)</th>
<th>Adequate Design (yes/no)</th>
<th>Test Result / Implications</th>
<th>Recommendation</th>
<th>Categorisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>against a Whole-time Fire-fighter FTE budget of 859.</td>
<td></td>
<td>review process, there is an increased risk of the SDB failing to effectively scrutinise budget performance against workforce planning and strategic targets.</td>
<td>target for watch based whole-time fire-fighters, i.e. 680 for 2012/13 and 656 for 2013/14.</td>
<td></td>
</tr>
<tr>
<td>1.3 As part of a the Career Pathways/ Succession Planning project undertaken by the HR Business Partner a framework is being introduced to identify skills gaps within the performance appraisal process. In addition, as an outcome of the Operational Assurance Model review there is a framework which has been recently introduced to direct stations towards achieving a 60:40 ratio</td>
<td>Yes</td>
<td>We consider that once the Career Pathways/ Succession Planning project, Operational Capability exercises, and the Operational Assurance Model outcomes are embedded, the Authority will have suitable skills gap analysis tools in place to help identify where the workforce needs strengthening. Until then there is an increased risk of the Authority failing to distribute resources appropriately and/or identify recruitment needs effectively.</td>
<td>Once the Career Pathways/ Succession Planning project, Operational Capability exercises, and the Operational Assurance Model outcomes are embedded, a skills gap analysis should be undertaken to help identify how the workforce can be strengthened and what recruitment strategies are necessary to adopt.</td>
<td>Low</td>
</tr>
</tbody>
</table>
of drivers to non-drivers on Whole-time Fire-fighter watches. Furthermore an Operational Capability exercise is currently being undertaken to ensure that all risk/ rescue scenarios are reviewed to help identify where skills gaps exist.