

REQUEST FOR DEPUTY MAYOR FOR FIRE AND RESILIENCE DECISION – DMFD174

Title: Finance department – review

Executive summary:

This report recommends that the Deputy Mayor for Fire and Resilience approves ongoing expenditure by the London Fire Commissioner (LFC) of up to £500,000 per annum, agreed in the 2022-23 revenue budget, for a restructure of the London Fire Brigade (LFB) Finance department. The total annual cost of the recommended structural option is £479,290, with the residual amount of £20,710 set aside for ongoing training requirements. This cost is subject to review as posts go through the job evaluation process, to ensure the new structure is affordable within the overall funding available with the Finance department; costs are not anticipated to rise above £500,000, and are expected to be accommodated within the overall budget for the Finance department. Any further increase in the overall resources available to the Finance department would be subject to further approval.

LFB's Finance department plays a fundamental role in the delivery of the LFC's statutory duties. The requirements placed on the Finance department have increased significantly over the past couple of years; and demands for high-quality financial services, analysis and advice will obviously continue in the future.

The London Fire Commissioner Governance Direction 2018 sets out a requirement for the LFC to seek the prior approval of the Deputy Mayor before "[a] commitment to expenditure (capital or revenue) of £150,000 or above as identified in accordance with normal accounting practices...".

Decision:

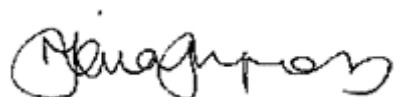
That the Deputy Mayor for Fire and Resilience authorises the LFC to commit ongoing expenditure of up to £500,000 per annum for a restructure of LFB's Finance department and training for existing staff.

Deputy Mayor for Fire and Resilience

I confirm that I do not have any disclosable pecuniary interests in the proposed decision.

The above request has my approval.

Signature:



Date:

31/8/22

PART I – NON-CONFIDENTIAL FACTS AND ADVICE TO THE DEPUTY MAYOR

Decision required – supporting report

1. Introduction and background

1.1 Report LFC-0722y to the London Fire Commissioner (LFC) explains that the demands placed on London Fire Brigade's (LFB's) Finance department have accumulated over several years. This has resulted in the department endeavouring to achieve all of its aims; and compromising its ability to change/update its processes, and to adapt to or embrace the new landscape in which the department finds itself operating. This has resulted in a number of key challenges that need to be addressed, and additional resources identified to enable this. The main demands on the Finance department are:

- challenges of existing systems (DMFD135 authorised the LFC to incur expenditure for the development and roll-out of a new finance and purchasing solution, for a contract term of up to 10 years)
- financial uncertainty
- statement of accounts
- external audit
- support for corporate boards and reporting requirements
- LFB's transformation
- specific grants and monitoring
- budget-setting process.

1.2 In addition, LFB's Finance department has struggled to maintain a full establishment due to issues with recruiting and retaining staff. This is for a few reasons; the main ones are detailed below.

- 1.2.1 Pay - Recent experience in the recruitment of staff has shown challenges in the pay available for LFB roles. This is backed up by information shared in the review from the Chartered Institute of Public Finance and Accountancy (CIPFA); work with the GLA; advice from recruitment agencies; and feedback in exit interviews. There has been experience of candidates only being interested in a salary at the top of the pay scale, and of losing successful candidates to better offers.
- 1.2.2 Flexible working arrangements - Flexible working arrangements are increasingly important to candidates in the post-pandemic period; this was highlighted in the discussions with CIPFA, and in feedback from recruitment agencies and exit interviews. There is an increasing expectation of limited office attendance, as well as increased flexibility on start and end times for the working day.
- 1.2.3 Annual leave - The LFB has relatively generous leave allowances. However, the benefit of this has been diluted, with the ability to take all the annual leave more limited due to work requirements.
- 1.2.4 Training - Exit interview feedback has referenced a lack of training and development; and a perception that LFB is not seen as an employer with long-term progression.

- 1.2.5 Frustrations of high staff turnover - Existing staff members are having to train/induct, and share LFB experience with, newer staff members; often, these new staff members do not then stay for prolonged periods. Repetition of this situation has resulted in frustration.
- 1.2.6 High levels of temporary/interim staffing - Due to the current market conditions, interim contractors can demand a high daily rate, as demand for their skills is high and exceeds supply of those skills – specifically across the public sector. Again, over a prolonged period this can result in frustrations among substantive staff members, as the same role has resulted in discrepancies in pay; additionally, those substantive members of staff are helping to train/induct temporary and interim staff, and share LFB knowledge.
- 1.3 All of this has resulted in low team morale and increased rates of staff sickness, due to high levels of stress and anxiety.
- 1.4 The department therefore commissioned CIPFA to review the department's current structure, remuneration and working practices; and to make recommendations to transform the Finance department.
- 1.5 The report produced by CIPFA can be found in Appendix 3 to the appended report LFC-0722. The report identifies issues of poor staff retention, owing to several factors. The main reasons are the overall remuneration package, including training and salary; frustrations at the dated finance system; and the overall structure, which isn't conducive to meeting LFB's needs.
- 1.6 The department needs to transform in order to successfully meet the challenges that LFB is currently placing on it. There are significant risks in achieving the medium-term financial strategy (MTFS) proposals – not least in reducing the identified MTFS budget gap in 2023-24. In addition, the organisation must ensure that: the 2022-23 budget is met; and the Finance department is the gatekeeper of financial control, providing strategic leadership that is worthwhile and meaningful, and that will effectively help accountable budget holders to understand and manage their budgets in a proactive way to achieve value for money.
- 1.7 In addition, there are future challenges in implementing the Target Operating Model and the new Community Risk Management Plan. Finance needs to play a key part in helping to deliver these.

2. Objectives and expected outcomes

- 2.1 Since CIPFA's initial review, further work has been undertaken to ensure the structure meets all of the department's requirements. The structure can be seen in Appendix 1 of report LFC-0722.
- 2.2 One element of the workstreams includes a review of role responsibilities across current job descriptions and a mapping exercise for new job descriptions.
- 2.3 This approach, and further re-engineering of the structure, has resulted in a structure that places greater emphasis on more added-value activities, rather than on transactional skills that require greater individual responsibilities. As a result, two posts at grade FRS D have been removed. All new posts have been identified separately. Staff members are therefore potentially at risk; however, additional posts overall in the structure create opportunities for these staff members. To give existing Finance department staff the greatest chance of success in applying for opportunities in the new structure, LFB will begin with a recruitment exercise restricted to impacted staff.
- 2.4 The overall level of change can be seen in the following table (this excludes two interim posts at FRS E level):

Structure of LFB's Finance department			
Grade	Current structure (FTE)	New structure (FTE)	Change (FTE)
TMG A	1	1	0
TMG C	1	2	+1
FRS G	1	3	+2
FRS F	5	6	+1
FRS E	7	9	+2
FRS D	8.75	7	-1.75
FRS C	5	5	0
Total	28.75	33	+4.25

- 2.5 Structural changes and role responsibilities constitute only a small element of the need for the Finance department to change. It has also been identified that process, system and cultural changes need to happen, as well as a review of the non-financial aspects of the remuneration package offered to individuals, to ensure retention and development of the team.
- 2.6 The recruitment and retention of staff have been difficult over the last few years, for several reasons; this has been experienced in other departments, as well as Finance. To better understand and address this, Finance has consulted with experts in the recruitment and local government sectors. Feedback often indicates that market rates have been driven up over the past few years, and sometimes roles within LFB Finance are not competitive in terms of pay. However, the challenge is wider than this, and can also cover working hours and place of work – with a growing requirement for these to be as flexible as possible. Finance cannot address these issues in isolation; they will necessarily form part of a wider corporate review of FRS staff. However, in the interim, Finance will seek to identify the best way to market and sell roles; attract good-quality candidates to roles as they are advertised; and invest in development to retain these staff.
- 2.7 Evidence relating to the difficulties in external recruitment included parts of the 2022 Reed Salaries Guide. This detailed a number of discussion points, including:
- a shortage of staff to fill permanent roles, creating supply issues and driving up cost
 - importance of not narrowing down the talent pool (i.e. being flexible in approach)
 - counter-offers by employees asking for greater pay increases
 - training and development, alongside remote working, being attractive to jobseekers.
- 2.8 These discussion points have been re-emphasised when discussing the current job market with contacts across professional accountancy and finance recruitment agencies.
- 2.9 The CIPFA review also included guidance on salary ranges for senior finance posts; and the impact of other elements in the terms and conditions, particularly flexible working. This guidance was considered alongside information shared with the GLA on salaries for comparable finance roles. This work helped to reinforce information gathered from exit interviews, and from the monitoring of job vacancies through sites such as Public Finance.
- 2.10 In terms of addressing system issues, it has been widely reported that the current finance system (Masterpiece) is outdated and no longer fit for purpose to provide information that is timely; easily understood; and efficient in terms of input and output of data from the system. The department has therefore already scoped the requirements of a new, replacement system. This should be going out to tender in early autumn 2022, with an envisaged go-live date 12-18 months after contract award. Process changes and reviews will also be incorporated into the

implementation of a new system to ensure more efficient processes, and compliance with any new system. Ensuring our needs are met by the new system will be an important part of making this choice.

- 2.11 Due to the large number of changes, some of which are very substantial, it is more important than ever that staff members continue to receive training and development opportunities that enable them to deliver their role to the highest of standards. This accounts for additional growth in the Finance budget as part of the 2022-23 budget, alongside residual use of the £500,000 growth bid within the Finance structure to help supplement the provision of these training opportunities.
- 2.12 Cultural change is also very important to the department – not only to maintain a happy workforce, but also to drive up and then maintain high standards. This development has been incorporated into a review of departmental meetings, and of how we work together effectively; and a refresh of the departmental plan and individual targets. This work will be further enhanced by the new corporate-performance development-review process.
- 2.13 The department will need to evidence that the additional growth in structure has provided value for money. It therefore proposes to develop several matrices to showcase this added value. These will be in the form of ‘hard’ key performance indicators (KPIs) that can be measured by tangible data – for example, the percentage of invoices paid on time, and forecasting performance. However, the department will also seek to explore ‘softer’ measurements, such as regular stakeholder feedback, to ensure we are meeting customer expectations. Gaining feedback will help the department to address any issues, and to work with its stakeholders to maintain high standards. The department will look to gather information to create a baseline against which it can measure itself in the future. It will therefore be developing and gathering information on the various KPIs as part of the implementation of the new structure.
- 2.14 This work will help to develop the department’s future offering to LFB, and give it scope to recognise: when it can reallocate resources to be at its most effective; where there is excess capacity that may result in future savings; and where there are further demands placed on the service that need to be resourced.
- 2.15 The growth of areas such as transformation and communications is an example of further demands placed on the Finance department. Therefore, the structure is aiming to enable the department to deal with these demands into the future. However, this aim will need to be monitored.

3. Equality comments

- 3.1 The LFC and the Deputy Mayor for Fire and Resilience are required to have due regard to the Public Sector Equality Duty (section 149 of the Equality Act 2010) when taking decisions. This in broad terms involves understanding the potential impact of policy and decisions on different people; taking this into account; and then evidencing how decisions were reached.
- 3.2 It is important to note that consideration of the Public Sector Equality Duty is not a one-off task. The duty must be fulfilled before taking a decision, at the time of taking a decision, and after the decision has been taken.
- 3.3 The protected characteristics are: age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership (but only in respect of the requirements to have due regard to the need to eliminate discrimination), race (ethnic or national origins, colour or nationality), religion or belief (including lack of belief), sex, and sexual orientation.

- 3.5 The Public Sector Equality Duty requires decision-takers in the exercise of all their functions, to have due regard to the need to:
- eliminate discrimination, harassment and victimisation, and other prohibited conduct
 - advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it
 - foster good relations between people who share a relevant protected characteristic and persons who do not share it.
- 3.6 Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it
 - encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- 3.7 The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.
- 3.8 Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
- tackle prejudice
 - promote understanding.
- 3.9 The department has undertaken an Equality and Impact Assessment in regard to any changes throughout the review. This can be found in Appendix 2 of report LFC-0722, which is appended to this report.

4. Other considerations

Workforce comments

- 4.1 This report is not considered to have any direct workforce impact for the LFC, and therefore no consultation has been undertaken.

Sustainability comments

- 4.2 This report is not considered to have any direct sustainability implications.

Procurement comments

- 4.3 This report is not considered to have any direct procurement implications.

Conflicts of interest

- 4.4 There are no conflicts of interest to declare from those involved in the drafting or clearance of this decision.

5. Financial comments

- 5.1 This report presents the main outcomes from the review of the Finance department; and seeks authority to commit expenditure of £500,00 per annum to implement the new department structure. The total cost of implementing the new structure will be funded through the growth of £500,000 per annum approved as part of the LFC's final budget 2022-23 (LFC-0679). The additional cost of the new staff structure has been identified as £479,290, with the residual amount of £20,710 being used, on an annual basis, to help fund the increased need for additional staff training and development within the department. A separate growth bid of £10,000, approved in the LFC budget for 2022-23, will also fund training. Currently, the department has transitioned to the new structure using interim staff already recruited to vacant posts in the existing structure, to ensure a continuity of service. However, this is not cost-effective in the long term; in terms of overall cost, it is more expensive than implementing the new structure as quickly as possible.

6. Legal comments

- 6.1 Under section 9 of the Policing and Crime Act 2017, the LFC is established as a corporation sole with the Mayor appointing the occupant of that office.
- 6.2 Section 112 of the Local Government Act 1972 states that the LFC "shall appoint such officers as they think necessary for the proper discharge by the authority of such of their or another authority's functions as fall to be discharged by them". Section 112 further states: "An officer appointed ... shall hold office on such reasonable terms and conditions, including conditions as to remuneration, as the authority appointing him think fit."
- 6.3 Under the LFC's Scheme of Governance, a Director may "agree the Directorate plan"; and may also "determine matters that relate to the internal management of the directorate".
- 6.4 Under the LFC's Scheme of Governance, the LFC may authorise a commitment to expenditure (capital or revenue) and business or commercial arrangements with a value of £150,000 and above. The LFC may also undertake any action, whether or not that action is delegated to another person. This includes approval of the proposed restructure as set out in this report.
- 6.5 By direction dated 1 April 2018, the Mayor set out those matters for which the LFC would require the prior approval of either the Mayor or the Deputy Mayor for Fire and Resilience
- 6.6 Paragraph (b) of Part 2 of said direction requires the LFC to seek the prior approval of the Deputy Mayor for Fire and Resilience before "[a] commitment to expenditure (capital or revenue) of £150,000 or above as identified in accordance with normal accounting practices...". The Deputy Mayor for Fire and Resilience's approval is accordingly required for the LFC to expend the sums set out in this report.
- 6.7 These comments have been adopted from those provided by the LFC's General Counsel Department in report LFC-0722 to the LFC.

Appendices and supporting papers:

Appendix 1 – report LFC-0722y – Finance department – review

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? NO

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer

Richard Berry has drafted this report with input from the LFC and in accordance with GLA procedures and confirms the following:

✓

Assistant Director/Head of Service

Niran Mothada has reviewed the documentation and is satisfied for it to be referred to the Deputy Mayor for Fire and Resilience for approval.

✓

Advice

The Finance and Legal teams have commented on this proposal.

✓

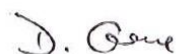
Corporate Investment Board

A summary of this decision was reviewed by the Corporate Investment Board on 30 August 2022.

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature



Date

1/9/22