



SCOTTISH
FIRE AND RESCUE SERVICE

Working together for a safer Scotland

Report To: SCOTTISH FIRE AND RESCUE BOARD
Report Number: B/SPPC/03-16
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**Subject: A FIRE AND RESCUE SERVICE FOR SCOTLAND: FINDINGS FROM
THE REFORM PROCESS**

1 PURPOSE

- 1.1 The purpose of this report is to present Board Members with the results of a review on the formation of the formation of the Scottish Fire and Rescue Service with lessons highlighted on which other public bodies can draw. Production of this report was recommended by Audit Scotland.

2 RECOMMENDATIONS

- 2.1 Members are invited to:
- a) approve the report and its wider publication
 - b) approve a workshop event to be held within the coming three month period to share the findings of the report with Audit Scotland, public sector partners and other fire and rescue services within the UK.

3 BACKGROUND

- 3.1 In Audit Scotland's Audit Report on the formation of the SFRS, it was noted that the service had not undertaken a lessons learned exercise within the first 6 months of establishment. This is identified as best practice in their Learning Lessons of Public Body Mergers Good Practice Guide (2012). Audit Scotland recommended that such a report be drafted and submitted to the Scottish Government for comment by the end of December 2015 and subsequently published as a Board paper in 2016.

4 LESSONS LEARNED

4.1 The findings report is based on the results of in depth interviews with a range of key internal and external stakeholders to gain multiple perspectives on the reform process. Discussions were based on the four key themes recommended by Audit Scotland's Learning Lessons of Public Body Mergers Good Practice Guide (2012).

4.2 Analysis of interview results identified seven key themes:

- Is a shadow period necessary for a major organisational reform
- Developing a strategic plan
- Resourcing reform
- Realising the benefits of reform
- Getting executive and non-executive relations right
- Stakeholder engagement in the reform process
- Retaining knowledge and skills during the reform period

Key findings are arranged within these theme headings in the Lessons Learned Report.

4.3 The report highlights the complexity of the merger and the importance of leadership and clarity of vision and procedure in establishing the new service. Of critical value were the relationships built between key officers and Board members, and an awareness of momentum for change tempered with pragmatism so that the service continued to be seamlessly delivered in the face of seismic organisation change.

5 FINANCIAL IMPLICATIONS

5.1 There are no financial implications relating to the recommendations of this report.

6 EMPLOYEE IMPLICATIONS

6.1 There are no employee implications relating to the recommendations of this report.

7 LEGAL CONSIDERATIONS

7.1 There are no legal implications relating to the recommendations of this report.

8 EQUALITY IMPACT ASSESSMENT

8.1 There are no equality implications relating to the recommendations of this report.

9 **CORE BRIEF**

- 9.1 Audit Scotland published an audit report in May 2015 on the way the formation of the Scottish Fire and Rescue Service was successfully managed. In the report it recommended that the service undertake a lessons learned exercise and publish a report in order that other public services could learn from the positive experiences of the SFRS merger. Following board approval the report will be published by the service and a workshop will be organised in late Spring to publicise the findings.

Mark McAteer

Director of Strategic Planning, Performance and Communications

31 March 2016

A FIRE AND RESCUE SERVICE FOR SCOTLAND

Findings from the reform process

Executive Summary

In its Audit report into the Scottish Fire and Rescue Service in May 2015 Audit Scotland concluded:

*“The Scottish Government and the Scottish Fire and Rescue Service managed the 2013 merger of the eight fire and rescue services effectively....There was no impact on the public during the merger and the Scottish Fire and Rescue Service’s performance is improving.”
(p.8)*

However, Audit Scotland noted that the SFRS had not undertaken a comprehensive post implementation review exercise within the first 6 months of the establishment the service, as recommended in its Learning Lessons of Public Body Mergers Good Practice Guide. Audit Scotland recommended that the SFRS prepare and subsequently publish a ‘lessons learned’ report by the end of December 2015.

This report has been produced internally by the Scottish Fire and Rescue Service to meet this requirement, to learn the lessons of reform and to share those lessons with government and other public services.

Key Lessons:

Is A Shadow Period Necessary For a Major Organisational Reform?

1. **A shadow year is not always necessary for implementing a major structural merger.**
2. **Establishing the vision for the new service as early as possible is important in order to guide subsequent decisions regarding the new structure, strategic and operational planning arrangements and other fundamental aspects of organisational design.**
3. **Taking a pragmatic decision to maintain business as usual while planning arrangements for future strategic developments are fully established and put in place is important if you are to avoid inertia and confusion.**
4. **A new organisation should not seek to ‘bite off more than it can chew’ in the early reform period.**
5. **Legacy policies and procedures should be utilised, where relevant, by the new organisation until it has time to fully consider and develop its own policies and operating procedures.**

Developing a Strategic Plan

6. The creation of a Vision is important in establishing the new organisation as it effectively guides key decisions relating to structure, systems, processes and performance requirements of the service.
7. A 'business as usual' operational plan should be implemented from the outset of the new service until a new strategic plan is in place.
8. Time should be allowed for a newly forming organisation to engage with all relevant stakeholders in developing its first Strategic Plan but pragmatic decisions on the extent of this engagement are to ensure a plan is created.
9. Keeping stakeholders aware of the emerging Vision is important to ensure they are aware of what the new organisation will seek to achieve.

Resourcing Reform

10. Getting the right resources – people, skills, and systems - in place to secure the benefits of reform is critical.
11. Public bodies and Scottish Government should work together to identify how best to enhance support for reforming services. This is particularly relevant in the initial start-up period of reform as services build the necessary internal systems and processes to drive the benefits of reform forward.

Realising the Benefits of Reform

12. All reforms should be focused on the overarching benefits the reform was designed to achieve.
13. Newly reformed public service organisations should develop a Strategic Intent process setting out high level principles on how they will deliver reform.
14. Newly reformed public service organisations should establish a Critical Savings Pathway to guide decisions in securing financial savings.
15. Stakeholders should be engaged on the potential implications of implementation of the Strategic Intent principles.
16. The Strategic Intent should guide detailed plans to subsequently drive reform benefits.
17. Newly reformed public service organisations should establish a transformation programme, supported by a dedicated Programme Management Office and overseen by an operational board and scrutiny committee, to ensure the successful delivery of reform benefits.
18. The corporate leadership of a newly reformed organisation should ensure that wider reform benefits are managed and tracked at the corporate level and not simply at a directorate or operational level.
19. Newly reformed public service organisations should seek to get in place as soon as is feasible the systems and infrastructure of a well-functioning organisation to ensure proper controls are developed to drive the realisation of reform benefits corporately.

Getting Executive and Non-Executive Relations Right

20. A comprehensive induction process should be put in place for all board members of any new organisation encompassing key skills important to operating in political environments.
21. Team building should be prioritised to help form positive working relations between board members and senior management.
22. Clear role descriptors and supporting training should be developed from the earliest possible date for executive and non-executives in any new organisation.
23. New organisations should adopt an organisational maturity matrix to help guide development and understanding of what is possible in supporting good governance at different points in the organisation's development.
24. Public bodies and Scottish Government should work together to ensure change and programme management support are available to public organisations going through major service restructuring.

Stakeholder Engagement in the Reform Process

25. Stakeholder engagement should be a core priority for executives and non-executives at the outset of a major service reform/ restructure.
26. An engagement plan should be created within the first few months of the new organisation's existence to co-ordinate engagement activities. This should ensure consistency in the transmission of information to and from stakeholders.
27. Prior to finalisation, the Strategic Intent for the new service should be discussed with external stakeholders to enable them to understand the potential consequences of change locally.
28. A working relations framework and a partnership forum to encourage good dialogue and debate with trade unions is important in ensuring a successful merger.
29. Maintaining positive relations and contact with government is important in progressing with the reform process.

Retaining Knowledge and Skills During the Reform Period

30. Key skills and personnel to support the delivery of reform should be identified early by organisations.
31. Resources to retain the skill and experience of some additional staff for the initial reform period may be beneficial in the short term.
32. Succession planning to ensure the next generation of skilled staff are developed is of even more significance following major structural change.

1. Introduction

1.1 In its Audit Report following the creation of the Scottish Fire and Rescue Service (SFRS) Audit Scotland concluded:

“The Scottish Government and the Scottish Fire and Rescue Service managed the 2013 merger of the eight fire and rescue services effectively....There was no impact on the public during the merger and the Scottish Fire and Rescue Service’s performance is improving.”
(p.8)

1.2 However, Audit Scotland noted that the SFRS had not undertaken a comprehensive post implementation review exercise within the first 6 months of the establishment of the service, as recommended in its Learning Lessons of Public Body Mergers Good Practice Guide. Audit Scotland recommended that the SFRS produce a ‘lessons learned’ report by the end of December 2015, and subsequently publish this report. The review should:

“...identify lessons learned, monitor progress in meeting the strategic aims and objectives, and assess if the merger is on course to deliver the long-term benefits. The results of the review should be reported to the Scottish Government to support wider learning and sharing of lessons.” (p11)

1.3 A discussion between the SFRS and Audit Scotland was held on 25 August 2015 to further clarify their expectations of the review exercise. Audit Scotland recommended that the exercise should highlight key lessons that would be of value to any future public service mergers including the ‘softer’ elements of the change process, in particular how key stakeholders such as councils and the trade unions were engaged throughout the merger. In September 2015 the SFRS Strategic Leadership Team (SLT) commissioned the ‘lessons learned’ review exercise to meet the requirements of the Best Value report.

2. The Approach to the Review

2.1 The review commenced by identifying the key internal and external stakeholders that would be invited to participate in interviews to gain their perspective on the relevant issues. Each interview was based around the themes set out by Audit Scotland in its Learning Lessons of Public Body Mergers Good Practice Guide (2012). Interviewees were also asked to highlight other issues they regarded as important. The themes recommended by Audit Scotland were:

1. Establishing good leadership and governance
 - Developing the strategic direction and structure
 - Identifying leaders at the right time
 - Creating effective leadership teams
 - Ensuring leaders have the right skills, knowledge and expertise needed
2. Planning and implementing mergers effectively
 - Setting clear goals, specific objectives and benefits
 - Developing a plan for the merger

- Using reviews to ensure that mergers remain on track
3. Estimating and recording costs and savings
 - Setting robust cost and savings estimates and budget planning
 - Recording and reporting merger cost and savings
 4. Measuring performance

2.2 Interviews were scheduled from late October 2015 to early December 2015, each lasting approximately one and a half hours. Interviews were conducted by a two person interview team with written notes taken independently by each team member. The separate interview notes were compared at the conclusion of the exercise to check for consistency.

2.3 Personal interviews took place with the Chief Officer and members of the SLT, the Chair and the Vice Chair of the SFRS Board. The remaining board members took part in a lessons learned workshop. Trade Union representatives from each of the three major unions represented in the service were also interviewed separately. To gain input from external stakeholders one council from each service delivery area was invited to take part in an interview. This involved the chair of the local scrutiny committee and either the Chief Executive or the council director responsible for supporting the local scrutiny committee. Time limitations on the field work for this report meant that there was insufficient time to engage in a formal discussion with members of the wider SFRS staff grouping. SFRS will seek in the near future to engage staff in this exercise and use their insights and experiences to continue to drive forward the benefits of reform. Lastly Civil Servants from the Scottish Government sponsor unit present at the time of reform were also interviewed.

2.4 Further evidence on merger lessons that were gathered by the Transformation Programme through programme gateway reviews were accessed and insights from a lessons learned workshop that was undertaken by members of the SFRS transformation committee also informed this exercise.

3. Preparing for the Merger

3.1 In preparing for the establishment of the SFRS the Chief Officer and Chair drew advice and lessons from Audit Scotland's report, Learning the Lessons of Public Body Mergers: Good Practice Guide (2012). While not every recommendation from the guide could be applied to the creation of the SFRS for practical reasons, it formed the basis for thinking and planning as the new board and SLT came together to bring the new organisation into being. The fledgling service drew upon the four stage merger framework set out in the good practice guide. Audit Scotland recommended new bodies should adopt the following four stages in planning for the merger itself (p.12):

Planning

- Specifying the key tasks, and identifying and managing risks, to allow the merger to take place and ensure that it fulfils its potential.

Implementation

- Carrying out tasks in the plan to achieve the merger and merger benefits.
- Reviewing and updating the risk register and transferring ownership of risks to the new body.

Integration

- Bringing the systems and services of predecessor bodies together.
- Removing divisions and developing a single culture around a shared understanding of the aims of the new organisation.

Realising benefits

- Translating the changes resulting from the merger into expected and unexpected benefits.

3.2 In making use of the Learning Lessons guidance in this way the new service was able to push forward with the merger with confidence and with the knowledge that it was utilising the best good practice advice available. The Chief Officer in his interview noted:

“The Learning Lessons report provided us with valuable lessons on how to plan for the merger and it provided us with much of the basis upon which we proceeded. It offered us insights into how to proceed and it gave us confidence that our approach to the merger was based on solid ground.”

Indeed the experience of the SFRS merger reflects many of Audit Scotland’s key findings. In particular, SFRS found that practical realities inherent in complex tasks sometimes overtake the desired intent in the planning and delivery of major change, but that proceeding on a planned basis is nevertheless critical to success.

4. Is A Shadow Period Necessary For a Major Organisational Reform?

4.1 A major theme discussed in the interviews was what value might have been derived for the SFRS from running a shadow period, of perhaps a year, as part of the reform process. This elicited varied responses that can be placed into two distinct groupings. Some of the interviewees believed that a shadow year could have added value to the overall process. However, the majority view across those interviewed was that it was better to institute the new service and then go through a period of corporate development. This should be underpinned by deploying essential policies and processes for the new organisation rather than running the new service as a shadow body for a year.

4.2 Many of those interviewed noted that the time from the appointment of the Chair, Chief Officer, the Board and the SLT, from October 2012 to April 2013, allowed time to complete some of the essential underpinning work that would form solid foundations for the SFRS. Most interviewees consistently stated that this time period was valuable and that having a full year prior to establishment could well have been counterproductive in some ways. There was also a view that Scottish Government was very keen for the merger to move on at pace. Within the service this was developed into a call to all staff to ‘start before you are ready’ in recognition that change occurs when people act rather than waiting for change to happen. This should not be confused with an approach that endorses weak planning but should be seen within the context of the ‘can do’ approach which is often exhibited by executive officers within the service. Indeed the experience of the SFRS in this run in period reflected much contained of the findings of Audit Scotland in its Learning Lessons guidance.

4.3 One issue in that pre SFRS period that did concern the new members of the SLT and the board was the potential for tension concerning the release of necessary resources from the eight legacy Fire and Rescue Services to plan for the new service. During the period running up to 1 October 2013 the Chief Officers of the legacy services were rightly focused on effectively managing the closure of those services. It was felt by many interviewees that if there had been a protracted shadow period the resources necessary to support the creation of the new service would be tied up in the wind down processes of the legacy services. Ironically by not having a shadow period this may have had an unforeseen positive effect as the new SFRS ‘didn’t bite off more than it could chew’ initially which led to a very strong focus on business as usual in the first period of its existence. This strong collective pragmatism was viewed by the Chief Officer as being essential at that time given the environment that the SFRS operated within where the clear expectation was that it would drive the benefits of reform and achieve financial savings. The Chief Officer noted:

“I don’t think a shadow year would have helped reform. It might have led to some tensions with legacy services as the new organisation would have to have called upon their resources during a shadow period. As it was pragmatism won out when the SFRS came into being and we were able to deploy our resources as needed in that early period of reform.”

4.4 In addition two SLT members observed that they had been able to call upon work that they had been party to through the Chief Fire Officers Association (CFOA) prior to reform to establish new policies and procedures in areas such as resilience planning for the SFRS which meant that a shadow year was not really necessary. These approaches with hindsight have been shown to have worked well and have been reflected in subsequent reviews of the service. One interviewee commented that:

“With hindsight we had enough time (without the year shadow period) because we achieved the reform/merger and delivered the new service.”

4.5 Indeed the Chief Officer noted that in reality the first year of the service was the shadow year, as the service was running largely on a 'business as usual' basis and taking pragmatic decisions in relation to preparing longer term plans. Therefore the majority consensus among those interviewed reflected Audit Scotland's comment in the Best Value report that a shadow year may not always be necessary when merging legacy services into a single new organisation. Of more importance is getting the vision for the new service established as early as possible to then guide the merger and the creation of the new service.

Is A Shadow Period Necessary For a Major Organisational Reform?

1. **A shadow year is not always necessary for implementing a major structural merger.**
2. **Establishing the vision for the new service as early as possible is important in order to guide subsequent decisions regarding the new structure, strategic and operational planning arrangements and other fundamental aspects of organisational design.**
3. **Taking a pragmatic decision to maintain business as usual while planning arrangements for future strategic developments are fully established and put in place is important if you are to avoid inertia and confusion.**
4. **A new organisation should not seek to 'bite off more than it can chew' in the early reform period.**
5. **Legacy policies and procedures should be utilised, where relevant, by the new organisation until it has time to fully consider and develop its own policies and operating procedures.**

5. Developing a Strategic Plan

5.1 The importance to all organisations of a strong strategic plan to drive it forward as it pursues its ambitions, aims and objectives on behalf of service users is a well-established principle. The importance of such a vision and supporting plan for a newly merged organisation was noted by Audit Scotland in its Learning Lessons guide. However, it also accepted that the practical constraints in producing such a vision and plan often mean that in reality things are not as straight forward as they can be in more mature and established organisations:

"It is important to appoint permanent leadership teams early so that there is sufficient time for them to complete important set-up activities. However, the Scottish Government has not always found it possible to allow an extensive set-up period for merging bodies as it balances the need to establish the new body quickly with the complexities of making leadership appointments." Learning the lessons of public body mergers, Good Practice Guide (2012) (p4)

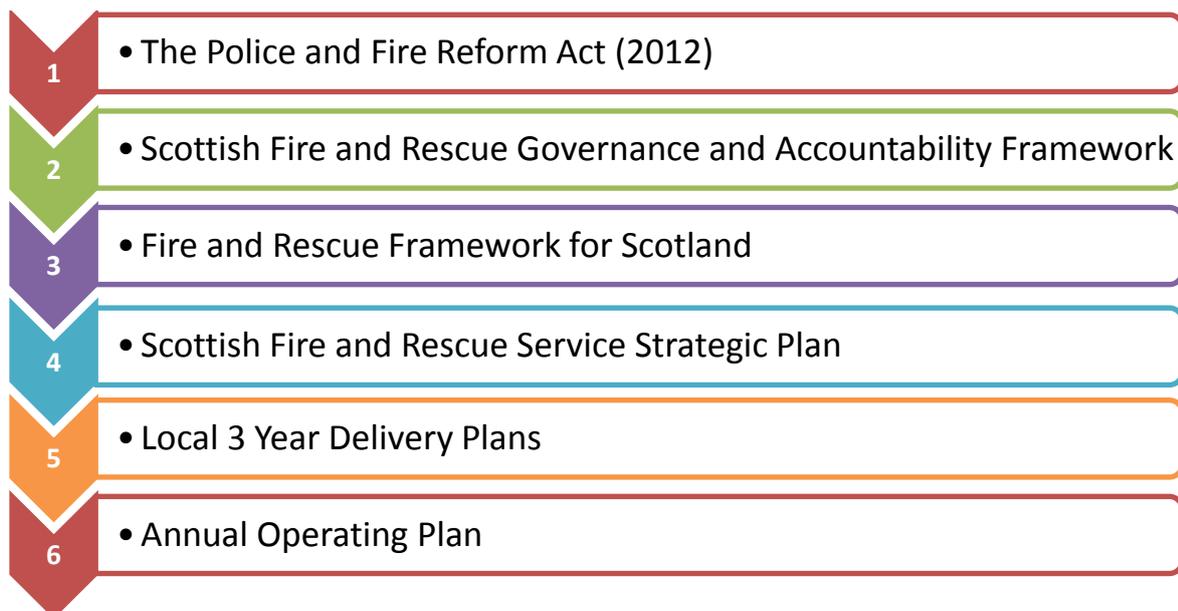
5.2 As noted above the new SFRS team (board and SLT members) were mindful of the advice contained in the Audit Scotland Learning Lessons guide and they noted the importance of establishing a coherent vision for the new organisation. Audit Scotland recommended:

“Ideally, the leadership team should develop the vision and structure before the start date so that those transferring to the new body can begin performing their new roles straightaway. This also allows predecessor bodies to put appropriate measures in place to allow other staff to leave, transfer or retrain. The absence of clear direction and design at the outset may hamper the implementation of the merger and increases the risk of wasteful or ineffective activity and services. Lessons learned in public.” Learning the lessons of public body mergers, Good Practice Guide (2012) (p5)

5.3 The SFRS team were eager to develop their vision and, drawing upon the outline business case for reform as set out by the Scottish Government, began from the earliest days to translate the business case into a vision as the basis for the new service. It was noted by many interviewees that in establishing a broad vision early the service hoped to guide staff in making subsequent decisions on structures, systems and processes that would provide a more detailed basis for taking that vision forward and into operational reality. Without an early and clear vision there was a perceived risk that some form of inertia or, at worst, paralysis could emerge and undermine the merger process. However, the desire to get the vision in place as early as possible had to contend with the reality of the wider reform process beyond the SFRS itself. These realities as experienced by the SFRS were also noted by Audit Scotland in the Lessons Learned guidance:

“Developing a plan is an essential early step to creating a successful merger. The specific content of plans will vary depending on the design of the merger and should take account of consultative and legislative processes.” Learning the lessons of public body mergers, Good Practice Guide (2012) (p12)

5.4 The timescales relating to the production of the first SFRS Strategic Plan were set out in the Police and Fire Reform Act (2012) and the subsequent Scottish Government guidance, the Scottish Fire and Rescue Governance and Accountability Framework. The accountability framework sets out the broad governance structures within which the service must operate. In addition the SFRS must adhere to the Fire and Rescue Framework for Scotland (The Framework) which sets out the overarching Scottish Government strategic direction and priorities for the service. The service must then produce a 3 year Strategic Plan setting out how it proposes to deliver against these priorities and subsequent to that it must produce its local delivery plans and an annual operating plan. The key stages in the strategic planning process are set out below.



5.5 While the 2013 Framework was published by Scottish Government a matter of weeks before the SFRS was formally established on the 1 April 2013, staff from the service supported and advised colleagues in government on issues pertinent to the emerging national framework and consequently were preparing internally on the steps the service would need to take to achieve the priorities set out in the framework. The first SFRS Strategic Plan (2013 – 2016) was developed by the service, including a period of public consultation. Following ministerial and Parliamentary approval, this was published on 1 January 2013. Local delivery plans followed from the Strategic Plan and were published in April 2014. The annual operating plan was published on 1 April 2013 before either the Strategic Plan or Local Plans were in place as the service needed to be able to function operationally from day one. The initial operating plan was developed by the Chief Officer and the SLT in the run up to 1 April 2013 utilising the business case for the reform of the Fire and Rescue Service and the operating plans of the legacy services.

5.6 In discussions with interviewees the consensus expressed was that the timescale for the production of the first Strategic Plan following the publication of *The Framework* was limiting. Many interviewees noted that the SFRS was still in the ‘forming’ stage of development, that many members of staff were still coming into post and that some experienced staff had retired from the service. As a result the production of the first Strategic Plan was a ‘major ask’ of the new service as its prime focus was rightly on maintaining ‘business as usual’ across the country. Many interviewees said that there was insufficient time and limited organisational capacity to fully prepare strategic risk assessments; to fully analyse data which in itself was partial as legacy services held data and information in different formats; insufficient time to fully engage with key internal and external stakeholders and insufficient time to position the new service wholly within the broader public service reform arena. A senior SFRS officer noted that the time pressures meant that beyond highlighting to stakeholders the broad timeframe for the production of the first Strategic Plan there was little time for any in-depth engagement or discussion and

therefore little opportunity for stakeholders to properly influence the direction of the strategic plan. However, following this initial period, ensuring appropriate analysis was undertaken, stakeholder engagement was carried out and so became part of normal operating procedures.

5.7 Within the service, officers and board members were also adjusting to their new operating context and were forming new relationships with each other relating to their respective roles. There was a degree of tension simply because the SFRS was a new national organisation created out of eight legacy services all of whom had been rightly focused on the needs of their own geographical area of the country rather than Scotland as a whole. This meant there was a real need for senior leaders to maintain 'business as usual' in operational delivery, as evidenced by the operational plan for 2013/14 that was developed before the Strategic Plan was in place, while they simultaneously sought to establish a coherent and ambitious strategic direction for the fledgling organisation. The timescales for the production of the new strategic direction meant it was more limited in its first incarnation than otherwise might have been the case. The time pressures also had knock on effects on internal operational planning as each new Directorate sought to set out its focus and priorities following from the strategic plan. This had to be done in tandem with accommodating legacy service commitments while they too were bedding in new people, building new working relationships and developing new business systems and processes appropriate to a national service

5.8 The local government interviewees recognised the timescale pressures that affected the production of the first strategic plan and they acknowledged that the limited engagement was not a conscious choice by the SFRS but simply a pragmatic response to the requirements placed upon it by the reform legislation and governance frameworks. They also noted that local engagement around the local delivery plans that followed from the Strategic Plan was improvement both on the engagement for the Strategic Plan and on previous engagement with the legacy fire and rescue services in their respective areas. However, it should be noted that one local authority, Dumfries and Galloway, did not approve its local plan despite efforts by the SFRS to fully engage with the council in the production of the plan.

5.9 When interviewees were asked to reflect on the issues set out above there was almost universal agreement that the first Strategic Plan was characterised more by pragmatism and bedding in service reform than the true strategic ambitions of the service. It was suggested by most that it was better in the first year to concentrate on forming the new service and delivering 'business as usual'. Most interviewees argued that it would have been better to take more time to fully engage stakeholders in setting a new and ambitious strategic direction for the organisation and having that in place for the beginning of the second year of SFRS's existence (1 April 2014). Service and directorate delivery plans could then have been reviewed in light of a more detailed, thought through and stakeholder owned Strategic Plan. It is a testament to all those involved in the process of producing the first SFRS Strategic Plan that they were able to complete it within such a tight timescale. The situation was best summed up by a board member:

“The first Strategic Plan wasn’t really ambitious but was probably right for the initial reform period. The SLT was rightly task focused on delivering the reform but they and the Chief Officer were under significant pressure....But we were not really aware of the full extent of that at the time.”

Despite the limitations placed by practical factors on the SFRS in the construction of the first Strategic Plan it was noted by all interviewees that getting the plan in place was vital in establishing the new service in its own right. Some more time to do so would have been beneficial but the service took a pragmatic approach and produced the plan with as much engagement, detailed considerations of data and evidence as those constraints permitted.

Key Lessons:

- 6. The creation of a Vision is important in establishing the new organisation as it effectively guides key decisions relating to structure, systems, processes and performance requirements of the service.**
- 7. A ‘business as usual’ operational plan should be implemented from the outset of the new service until a new strategic plan is in place.**
- 8. Time should be allowed for a newly forming organisation to engage with all relevant stakeholders in developing its first Strategic Plan but pragmatic decisions on the extent of this engagement are to ensure a plan is created.**
- 9. Keeping stakeholders aware of the emerging Vision is important to ensure they are aware of what the new organisation will seek to achieve.**

6. Resourcing Reform

6.1 Throughout the interviews there were several key comments regarding securing support, in terms of information, skills and capacity, for the reform process before and after the date that the new merged service came into being. It was fairly widely felt that if a more extensive package of support beyond the merger date (1 April 2013) had been in place, the new SFRS, although performing well at that point, could have functioned at an even higher level. Key players commented that there was no detailed blue print for a merger of this sort beyond that of the Audit Scotland Learning Lessons guide and that naturally all of the elements to make it as successful as it could be would only be revealed through time.

6.2 Interviewees noted the importance of factors such as securing Project Management expertise, having unified electronic HR systems, having appropriate integrated ICT systems, developing effective performance data systems and ensuring there are staff in the service skilled in strategic planning, stakeholder engagement and communications. As set out in the sections below some of these essential elements were either under developed or missing in the initial period of reform. Some interviewees suggested that the Scottish Government could consider how better to enhance the support available to newly forming public services in the immediate period following major reform while the new organisation builds such things as business processes and skill bases. In particular, as a newly forming organisation it is a challenge to know which projects are truly important in driving change during the initial period of reform and to get those projects scoped and up and running to deliver the benefits of reform. Support in such practical matters would help while the new organisation develops

and settles into a less fluid state of operations. It was suggested that while the SLT rightly focused on putting essential underpinning business management processes in place, for example a single finance and payroll system, the process of establishing more comprehensive business management systems could have been improved by enhanced support from the Government or government sponsored improvement bodies.

6.3 Ways in which such support could have been delivered was discussed with interviewees. A range of potential supports were identified. These include direct hands on support in the form of secondments of skilled staff from government bodies where key skills that could support complex change management may exist. Others suggested that a restructuring of the initial period over which savings are to be generated could be considered as this could allow new organisations to use their finances to procure or develop a wider array of new corporate business management systems from the outset to support reform. It was also noted by some interviewees that key strategic projects that prove to be necessary in enhancing the operations of a new service may only become fully clear following the merger date itself. This being the case, there is a risk that important resources, such as staff with particular skills to support the development of such important projects, may leave the service before their potential value to the new organisation is recognised. It was of course fully recognised that a key driver for reform was to realise monetary savings and that any resource package of support would inevitably impact on such savings being delivered in the short term.

Key Lessons:

- 10. Getting the right resources – people, skills, and systems - in place to secure the benefits of reform is critical.**
- 11. Public bodies and Scottish Government should work together to identify how best to enhance support for reforming services. This is particularly relevant in the initial start-up period of reform as services build the necessary internal systems and processes to drive the benefits of reform forward.**

7. Realising the Benefits of Reform

7.1 Audit Scotland, in the Lessons Learned guide, noted of organisational mergers in general:

“Defining clear objectives for the merger and identifying the expected benefits, costs and risks in the planning stage can help those leading the merger to make informed decisions during the later stages.” (p12)

In establishing the SFRS the service was aided by the stated benefits of reform set out by Scottish Government in the business case for reform. In that business case the government was clear on the rationale for the reform of Fire and Rescue Services. Its expectations of reform were:

- To protect and improve local services by stopping duplication of support services in areas such as control rooms and by avoiding cuts to front-line services.

- To make specialist services, like flood rescue, more accessible in areas where these were previously less readily available.
- To strengthen the connection between fire services and communities by:
 - creating a new formal relationship with each of the 32 local authorities
 - involving many more elected members
 - better integrating with community planning partnerships.

7.2 A further objective of reform, indeed one of the main reasons, was to save money with cumulative net savings of £328 million expected to be generated by the service by the end of 2027/28. In its Audit Report in 2015, Audit Scotland concluded that the service was on track to realise the full financial benefits of reform.

Subsequent to the field work that was carried out by Audit Scotland the service continued in its efforts to drive financial benefits from the reform process. The table below illustrates the financial savings plans that are adapted and updated each financial year since reform in April 2017. It is now anticipated that the cumulative realisable savings from the reform of the service will be £384.6m by 2027/28.

Cumulative Savings Flowing from Reform of Fire and Rescue Services

Cumulative Savings Plan	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	Total
2013/14	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	241.5
2014/15		6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	92.4
2015/16			3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	50.7
																384.6

7.3 In the interviews for this report, the interviewees were uniformly agreed that having clear overarching financial objectives and wider operational objectives set for reform helped the organisation from the outset. While there was internal discussion and debate about how best to achieve the objectives there was never any doubt about what was to be delivered. Following this the service established a clear Strategic Intent process in partnership with the board to create the enabling organisational infrastructure that would deliver the anticipated benefits of reform.

7.4 In setting out its Strategic Intent the service used the Learning Lessons guide to build much of its enabling architecture. In the Lessons Learned guide Audit Scotland stated:

“It is important that public bodies measure, control and monitor all of the costs and savings resulting from a merger and are accountable for these.” (p16)

Consequently the service set out a Critical Savings Pathway (CSP) that established the means through which the financial gains from reform would be generated. This proceeded by building the service budget up from its major costs, principally staff, to help guide key decisions relating to realising the reform benefits. Of critical importance to the success of the CSP was the procurement of an integrated single finance and procurement system for the service from the outset, rather than operating for a period of time with legacy service systems.

7.5 It was noted by a number of interviewees that even though some key decisions were difficult, the Strategic Intent and the CSP were critical as they kept bringing the board and the SLT back to why those decisions were required in order to keep reform on track. Overall this helped the service meet its financial savings plans which in turn gave confidence to the maturing service that it was more than capable of successfully managing the reform process and delivering on all of the anticipated benefits. Indeed one interviewee observed:

“Staying with our budget was critical. It bought us government support and backing and built up their confidence in us and ours in ourselves.”

The financial and other benefits of reform were principally managed and reported through the SLT with the board and its committees scrutinising performance. Over time this helped the SFRS to clarify its governance arrangements and keep driving forward with the benefits of reform.

7.6 Audit Scotland noted that in implementing mergers those leading the process:

“... need to consider and plan for the implementation, integration and realising benefits stages from the outset. Defining clear objectives for the merger and identifying the expected benefits, costs and risks in the planning stage can help those leading the merger to make informed decisions during the later stages.” Learning the lessons of public body mergers, Good Practice Guide (2012) (p12)

7.7 The key means for achieving this was the establishment of the Transformation Programme to oversee critical elements of the reform process. In order to develop the programme a Blueprint was jointly developed by the antecedent Scottish Fire and Rescue Services and the Scottish Government that set out a current, intermediate and end state for the SFRS. The Blueprint was a high level model of the desired governance, national and sub national operational landscape of the SFRS. It can also be viewed as the Target Operating Model (end state) and forms a crucial pillar in the Service Transformation Programme approach to delivering fire and rescue reform. The Blueprint focused on four key areas:

- Organisational Structure - the shape of the SFRS and its governance landscape, including new or amended elements of the management structure, organisational behaviours and attributes, functions, roles, locations, and equality and diversity
- Processes - what the SFRS must be doing to support its purpose and delivery of its functions
- Technology required - such as new or modified accommodation, infrastructure, IT systems and equipment
- Information - what the SFRS will be required to provide in order to deliver successful reform and the continued successful delivery of the Service.

7.8 The Transformation Programme developed a route map that detailed thirty seven components identified as necessary to deliver the Target Operating Model. Over the period from reform to the writing of this report significant progress has been made towards achieving the Target Operating Model. 27 of the initial 37 components having been delivered and it has been anticipated that the completion date for the remaining ten elements will be March 2018. The transformation programme is by no means all the work that is required to deliver a SFRS that operates cohesively as a single organisation, but its creation and successful delivery has been a vital component in the overall formation of the new organisation. In addition to delivering the initial Blueprint components, other more detailed work has been delivered through 63 different projects contained within the Programme. These projects, while delivered by SFRS staff, have been managed via a dedicated transformation Programme Management Office (PMO) comprising a small team of staff with programme management skills and experience. The PMO was directly accountable to a programme board. The Programme Board included representation from the SFRS Strategic Leadership Team and the Scottish Government. The overall scrutiny of the transformation programme was undertaken by a Service Transformation Committee. The Committee gave critical governance oversight to programme performance in order to ensure programme deliverables and benefits were realised. It comprised five SFRS Board members and representatives from the Fire Brigade Union.

7.9 A number of processes were developed by the PMO that assisted in ensuring the benefits of reform were properly designed, delivered, captured and evidenced; these include:

- Development of process maps that set out the delivery of project benefits against the Blueprint and aims of reform.
- Robust project initiation in line with the process approved by the Service Transformation Programme Board.

- A quarterly reporting process that requires each project manager to provide progress updates against the criteria of Cost, Time, Quality and Resources.
- A closing project pathway that requires all benefits to be evidenced and reported to the Transformation Programme Board and Committee.

For each project within the programme the completion of a closing report allowed the Programme Office to holistically assess the benefits realised from each project and their overall contribution to the wider reform programme. By undertaking this process each project's contribution to the benefits of reform could be assured. The creation of the PMO, operating on sound principles of programme management and supported by appropriate governance arrangements, was a vital cog in delivering the anticipated benefits of reform.

7.10 Out with the operations of the PMO there was a less formal application of programme and project management approaches to implementing change. While the SFRS sought to adhere to such principles a number of SLT members acknowledged that in hindsight a stronger merger benefits plan for the whole organisation, and not just the transformation programme, to more fully capture the non-financial benefits of the merger would have been beneficial. As noted above, prior to the SFRS coming into being work had been ongoing in terms of identifying and planning the benefits of reform under the CFOA reform team which then largely became the SFRS reform team. While the transformation programme that grew out of this developed strong programme control mechanisms which reported through the Transformation Committee, some interviewees suggested that an unanticipated consequence was that the SLT didn't always keep full track of wider reform developments as a corporate group. SLT members were part of the transformation Programme Board so they knew of the progress being made through the programme. Out with the transformation programme the SLT was more focused on keeping business as usual running, while the reform changes were implemented through the transformation PMO and steps being taken within individual directorates. Across a number of interviews it was commented that a more corporate approach at SLT level to tracking and monitoring the wider reform benefits would have helped the service make changes and improvements over and above the successes achieved within the initial reform period and through the transformation programme. It was noted by one interviewee:

“Transformation was too often run within service silos and it should have been pulled into a more corporate approach earlier. While there was some experience of change management in the service and board no one had ever run a merger on this scale before and on reflection we did not give enough focus on this as a team. We should have given more time to come together to support each other in delivering the change more corporately.”

Another commented:

“It was towards the end of the first year before we really got round to focusing on the wider benefits of reform. At no point did we think things were failing but in the first year we only really scratched the surface of the reform goals.”

7.11 However, it must be remembered that in this early reform period the service was actively building schemes of delegation, new corporate systems, processes and procedures while also ensuring service delivery was maintained to ensure public safety. That lack of corporate structures, systems and processes meant that a pragmatic decision was taken to drive reform forward through the transformation programme and the individual directorates as these had more readily available business management systems and processes to secure reform goals. The ‘taken for granted’ aspects of how mature organisations can be properly managed were not fully developed within the SFS in its initial phase and it was only in hindsight that their value to the organisation was fully recognised. This meant that a pragmatic approach to managing the change was arrived at where responsibility largely lay with the transformation programme and individual directorates rather than at the SLT level, as the Chief Officer observed of their inability to achieve a more cohesive corporate approach in the initial period following reform:

“Practical elements of functioning organisations are more important than you realise.”

This initial challenge in terms of scrutiny and focus did not hold the SFRS back. Indeed Audit Scotland concluded in its Audit Report in 2014 that the service had performed well in securing the benefits of reform. It is simply that many interviewees were of a view that they could have achieved even more if a stronger corporate approach had been possible throughout that first period of reform.

Key Lessons:

- 12. All reforms should be focused on the overarching benefits the reform was designed to achieve.**
- 13. Newly reformed public service organisations should develop a Strategic Intent process setting out high level principles on how they will deliver reform.**
- 14. Newly reformed public service organisations should establish a Critical Savings Pathway to guide decisions in securing financial savings.**
- 15. Stakeholders should be engaged on the potential implications of implementation of the Strategic Intent principles.**
- 16. The Strategic Intent should guide detailed plans to subsequently drive reform benefits.**
- 17. Newly reformed public service organisations should establish a transformation programme, supported by a dedicated Programme Management Office and overseen by an operational board and scrutiny committee, to ensure the successful delivery of reform benefits.**
- 18. The corporate leadership of a newly reformed organisation should ensure that wider reform benefits are managed and tracked at the corporate level and not simply at a directorate or operational level.**
- 19. Newly reformed public service organisations should seek to get in place as soon as is feasible the systems and infrastructure of a well-functioning organisation to ensure proper controls are developed to drive the realisation of reform benefits corporately.**

8. Getting Executive and Non-Executive Relations Right

8.1 In the Scottish Government publication *On Board: A Guide for Board Members of Public Bodies in Scotland* and in Audit Scotland's *The Role of Boards* (2010) it is noted that the performance of public bodies is heavily influenced by the qualities of board members, their relationships with one another and the relationships they form with executives from the service that they govern. Specifically, in the Learning Lessons guide Audit Scotland stated:

“Board members and management teams need the necessary skills and expertise to make decisions on priorities and resources. Critical factors in the success of any board are the calibre and personalities of board members, the blend of skills and expertise on the board and how they work together as a group.” Learning the lessons of public body mergers, Good Practice Guide (2012) (p7)

8.2 These general issues are of even more importance in a newly formed board overseeing a newly created service. Audit Scotland, in its Audit report published in April 2015, commented of the SFRS Board:

“One challenge confronting any board is the need to balance detailed knowledge about how an organisation works with strategic direction and challenge of how the organisation is managed. At the beginning, the level of detail requested by the board about the operation and management of the SFRS led to tensions with senior management. This also reflected the greater level of scrutiny and challenge compared to the senior officers' previous local government experience. This situation has improved as the board has established itself and developed its understanding of the organisation's work and the challenges it faces.”

8.3 When discussed in the interviews the most commonly expressed views were that in the early days of the service the demands from the board on executives was high. As board members sought to acquire more knowledge of the service they asked very detailed questions about operational and not just strategic matters. Often, questions were asked that the service could not answer as it did not have the information available that an established organisation would normally possess. There was also a perception that there was insufficient clarity on the respective roles of officers and board members. All those interviewed noted that these issues improved as the organisation matured and as information and data became available to support good scrutiny and governance.

8.4 All interviewees noted the importance to a successful merger process of good inter personal relations between board members, between SLT members, and also between the board and SLT. It was suggested that in the early days of the SFRS there was insufficient time given to building working relations as both officers and board members were extremely busy, with officers in particular focused on maintaining frontline services as well as bringing the new organisation into being. The differing focus of roles meant some early tension between board and SLT members did exist; indeed one board member commented:

“Difficult decisions had to be taken when there had been no time to build relations between the executives and non-executives....This created some tension as the board wanted ‘new stuff’ but the SLT wanted to just ‘keep the show on the road’.”

A member of the SLT backed this view up:

“Trying to deliver the reform of a service while servicing a new board and keeping the front line going was hard. There should have been more of an early focus on getting governance arrangements right while allowing the executives to focus on service delivery.”

8.5 All those who commented on these issues held very similar views on what, in hindsight, could have been done to manage those early days better. It was noted by many that getting induction right for new board members is critical, especially if they are not steeped in the service that they now oversee on behalf of the public. All SFRS board members participated in an induction programme but there was a commonly expressed view that more training and development between board members and executives would have helped. A key focus of any such programme should be on how executive officers manage within a political environment and how that environment shapes agendas that the service must adhere to. Board activity and governance within the public sector is driven by the will and expectation of the elected government of the day, with the result that there may be more restrictions on their activities than those of, say, a board within the private sector. In interviews it was noted that ensuring that all board members appreciate the sensitivities of operating in such working environments and are equally skilled in operating within them is vital to ensuring the effective governance of a major public service.

8.6 Development sessions for the board were organised and delivered by external facilitators, such as CIPFA, and these were seen as particularly useful. However, interviewees said that more such sessions could have been delivered and more joint development sessions organised to focus on building executive and non-executive relations. In particular we were told this would have allowed a deeper appreciation by board members of what executives were doing to establish the new organisation while maintaining operational delivery across Scotland. One executive suggested that the service could have developed and utilised a maturity matrix to manage collective expectations about how the organisation would need to develop to support good governance. It was suggested:

“If we had developed an agreed matrix stating a ‘Level 1’ (new) organisation should be capable of doing X through to a ‘Level 5’ (mature) organisation being capable of doing Y then this would have helped manage expectations and allowed a joint appreciation of what we could achieve in the early days to build good governance.”

8.7 Other interviewees suggested that better access to change management support would also have helped the organisation in its early period. It was pointed out that, while some officials and board members had some change management experience, no one had experience of a reorganisation of the scale and complexity of that experienced by the SFRS. In particular some interviewees felt that this meant they tended to not fully consider change

management issues in terms of building organisational capacity and relationships as they simply 'got on with delivering reform'. As one executive observed:

"In hindsight we didn't always act like leaders in a change management process....We should have been more sensitive to change issues."

8.8 It was noted by many interviewees that, in general across the public sector, the availability of change management and programme management skills tends to be limited despite being critical to mergers and reforms of the kind undertaken by the SFRS. It was suggested in the board workshop that the Scottish Government could consider how it can help provide this type of support to merging organisations. It was suggested that this could take the form of either creating a specialist organisation or government supporting existing improvement bodies offering or enhancing programme and change management support to services undergoing major reform. Either way, it was agreed that had this support been available to the SFRS in the initial reform period, it could have helped the organisation to develop and deliver success even more quickly.

8.9 Overall interviewees felt that those early executive and non-executive tensions were managed better over time and that the organisation as a result has matured in its approach to governance. Indeed the chair of SFRS noted:

"The enthusiasm and commitment of the SLT was very helpful to the board in the initial period as well as the organisational support that was available. This rubbed off on the board members and has been a big factor in our success; others should note this."

8.10 This maturing of relations, underpinned by both board and SLT development activities, combined with the 'can do' approach exhibited by many executive officers, was important in ensuring a continuation of 'business as usual' while the merged service was working to deliver on the reform benefits as set out by the Scottish Government in the reform business case.

Key Lessons:

- 20. A comprehensive induction process should be put in place for all board members of any new organisation encompassing key skills important to operating in political environments.**
- 21. Team building should be prioritised to help form positive working relations between board members and senior management.**
- 22. Clear role descriptors and supporting training should be developed from the earliest possible date for executive and non-executives in any new organisation.**
- 23. New organisations should adopt an organisational maturity matrix to help guide development and understanding of what is possible in supporting good governance at different points in the organisation's development.**
- 24. Public bodies and Scottish Government should work together to ensure change and programme management support are available to public organisations going through major service restructuring.**

9. Stakeholder Engagement in the Reform Process

9.1 A key aim of the reform of fire and rescue services was to improve how the service engaged with its stakeholders. From the point at which the Chair and Chief Officer were appointed by the Scottish Government (October 2012), they consciously sought to engage with as many stakeholders as possible to both inform them of progress of reform and critically, to listen to their views about how reform was affecting them. When the full board and SLT were appointed this commitment was maintained. Board members played an important role in building positive relations with stakeholder groups across the country, including with elected members of the local scrutiny committees in each local authority area. In the first year of operations the Chief Officer and the Chair undertook over 200 engagement activities, mainly with staff but also with all 32 councils and with other external stakeholders.

9.2 The service was aware that not all stakeholders had welcomed the creation of the new SFRS. In some parts of Scotland there was a fear that the national service it would move resources around the country, resulting in the centralisation of many services at the expense of more rural or remote communities. Wide engagement with stakeholders was regarded as fundamentally important to counter such fears and build positive relations with local partners and stakeholders. The chair noted:

“We knew from the outset of reform that securing good relationships with our principle stakeholders was going to be an important factor in achieving the benefits of reform and we prioritised building such positive relationships. Effective management of relationships inside and outside of the organisation is important especially when you are undertaking a radical shake up in how a service is delivered.”

9.3 The development of Local Senior Officers (LSOs), a statutory post within the new service, was also seen as critical to building new and positive relations and the combination of the work of the LSOs, chief officers and board members was seen as an important element of success. The creation of the LSO posts was vital given the number of areas and communities the new organisation would need to build relations with across the whole of Scotland.

9.4 All interviewees commented that efforts to engage were significant but in hindsight some improvements could have been made. It was suggested that while internal discussions on the Strategic Intent agenda for the service were fairly widespread, more could have been done to engage earlier on this with external partners to explain to them the basis for the intent and its potential local consequences. Equally, in developing the thinking behind the Strategic Intent it was noted that other public services could have been engaged with earlier. However, the prime focus in the initial period following the establishment of the service was to maintain ‘business as usual’ in order to protect front line services and to minimise any disruption that the reform process had for local teams and communities. In light of that, pragmatic judgements were arrived at, meaning some issues dropped off agendas to prioritise the limited disruption of the front line. Such prioritisation is perhaps a necessary consequence of major structural reform. It was suggested that a fully developed engagement plan should have been established early on in the merger process. This would have benefited the service by better enabling key messages to be transmitted to

stakeholders and would have enabled more co-ordination and sharing of engagement activities across senior executives and board members.

9.5 When external stakeholders were asked to comment on how the service had engaged with them, not just in the early days of reform but in recent times, they were very positive in their assessments. All of the councils interviewed said that with the exception of one or two issues, particularly initial communications on where control rooms for the new service would be located, the improvement in the general level, quality and frequency of engagement with the service was significant. One elected member commented that prior to reform there had been very little engagement with the council and the fire and rescue service in his area. He said that once the LSO and other local staff were confirmed in post, engagement and communication improved dramatically:

“Engagement in comparison to the previous service is chalk and cheese. It is ten times better than anything we experienced in the past.”

9.6 All of the councils interviewed also stated that local scrutiny of the service had also improved dramatically. More elected members are now being involved in scrutiny and engaging with the service locally than ever before. The councils were particularly eager to praise the service for its provision of local service performance information linked to the local service plan. Equally all were very happy that, when suggestions on how data and information provided by the service could be improved, it responded positively. One council Chief Executive stated:

“From our perspective you would hardly know it was a national service, the local officers’ work really well. There is now strong engagement and partnership working. We still challenge in scrutiny terms but the service has improved in our area.”

In all cases we were told that overall the relations between the council and the service were better than in the past and that the service was closer to other local public services than had been the case pre reform.

9.7 The SFRS sought to engage with and include both staff and Trade Unions as widely as possible from the beginning of the service. The service developed a Working Together Framework with the Trade Unions in the early stages of reform to ensure effective partnership working between the service and unions. One SFRS Director commented:

“Trade union relations were important from the outset. Things have been bumpy at times, but it is critical to get relations right.”

As noted above, the Chief Officer and the Chair made over 200 engagement visits in the first year of operation. Most of those were visits to facilities across the country where they met and discussed issues with staff including whole time and retained service facilities and staff working on shifts. Early on in the life of the service, an employee partnership forum, which meets on a six weekly cycle, was created to bring Trade Union officials, Executive Directors and Board members together. The service also operates a Staff Governance Committee to provide it with advice on matters affecting employees and to ensure employee issues are fully considered as the strategic aims and objectives of the service are pursued.

9.8 All three of the Trade Unions interviewed were positive about the overall level of engagement between them and the service. One official commented:

“There is a much better level of engagement than in the past. We still get a lot of information at local levels and we are much stronger on the national picture.”

The same union official stated that he would recommend the employee partnership forum to any organisation. From his perspective it gave the union good access to information on what was happening within the service and the issues that the service was managing. As a result it gave the union a platform on which to debate matters with the service, even if this didn't always produced their desired result. Another official was equally positive and said it gave the Trade Union direct access to board members and officers of the service so that positive relations could be built. An official from the third Trade Union interviewed commented that it would be difficult to improve on how the service worked with them and that their working relations had been a critical element in the success of the new service. He commented on the channels that the SFRS created to support engagement:

“It has allowed issues to be managed well. Engagement has been a priority for the service and we have good engagement at all levels. It has meant there have been no hidden agendas.”

9.9 Of equal value to the service was the quality of relationships built up with Scottish Government. The period in the run up to and following reform allowed government officials and officers of the service to build close working relationships which proved important as reform progressed. As the service was developing and maturing, relationships with government officials allowed the service to offer reassurances on progress and to be open with officials on the challenges being managed within the service. Also of major importance was the relationship between the Chief Officer, The Chair of the board and officials. The quality of relations meant that good communications were maintained throughout the reform process and that the government was fully apprised of the progress being made.

Key Lessons:

- 25. Stakeholder engagement should be a core priority for executives and non-executives at the outset of a major service reform/ restructure.**
- 26. An engagement plan should be created within the first few months of the new organisation's existence to co-ordinate engagement activities. This should ensure consistency in the transmission of information to and from stakeholders.**
- 27. Prior to finalisation, the Strategic Intent for the new service should be discussed with external stakeholders to enable them to understand the potential consequences of change locally.**
- 28. A working relations framework and a partnership forum to encourage good dialogue and debate with trade unions is important in ensuring a successful merger.**
- 29. Maintaining positive relations and contact with government is important in progressing with the reform process.**

10. Retaining Knowledge and Skills During the Reform Period

10.1 A major challenge in any organisational restructure is that, in merging previously separate organisations into a new single body, experience and corporate memory of the legacy services is lost as staff leave or take early retirement when the new flatter management structure takes hold. As staff costs are the single largest cost element in the SFRS budget at approximately 80%, generating the anticipated cost savings from reform inevitably required a planned reduction in overall staffing numbers as duplication was removed from the new organisation. Almost all interviewees commented on this and pointed to examples of where it had occurred.

10.2 The SFRS found that the loss of experienced staff meant that talents that could have been deployed to aid the reform process were simply not there as some people left the service. While it was accepted that there was no easy answer to such challenges, they are inherent to major structural reform, so it was suggested that some means of alleviating them could have been explored. For example, it was suggested that how the financial savings anticipated by major reform are structured is important and that by generating less efficiencies in year one and more in year two it may be possible to manage the transition of staff to help retain more corporate memory and skill. It was also noted that as the service is constituted as an Other Significant Public Body it cannot hold financial reserves. However, it was suggested that if the service was able to do so it could have utilised some of those reserves to smooth out the transition points by retaining key people. A counter argument might be that this would have shored up old organisational cultures that the new service wished to change as it built its own cultural values and organisational identity. Overall this was not considered a major issue for the merger, but the point remains that if the smooth transition of reform can be aided by retaining experience and in the short term.

10.3 Linked to this matter is the question of succession planning. As previously noted, around 80% of the SFRS budget is spent on staff and Audit Scotland estimated that as a consequence of reform around 67% would accrue from savings in staff budgets over time. Moreover, the current pension arrangements for many officers compounds the challenge of maintaining skills within the organisation because once officers reach the age of 50 and have 30 years of service there is little financial incentive to remain with the service. Indeed the financial incentive is structured in ways that positively encourage people to retire. For SFRS this presents a major challenge in terms of developing the next generation of managers and leaders within the organisation. Succession planning is important at any point in time for organisations, but those going through major reform of the type experienced by the SFRS need to pay it heightened attention.

Key Lessons:

- 30. Key skills and personnel to support the delivery of reform should be identified early by organisations.**
- 31. Resources to retain the skill and experience of some additional staff for the initial reform period may be beneficial in the short term.**
- 32. Succession planning to ensure the next generation of skilled staff are developed is of even more significance following major structural change.**

11. Summary

11.1 In its audit of how the merger of the Scottish Fire Rescue Service was managed, Audit Scotland concluded that the process had been managed effectively and that there had been no detrimental impact on the public. It is a testament to the hard work of all involved that such a positive conclusion was reached. This report nevertheless highlights important lessons both for SFRS and other public services experiencing major reform. The lessons cover the period prior to the beginning of the service in April 2013 through to autumn 2015, and as such encompass lessons that a report written 6 months after the creation of the service would not necessarily identify.

11.2 In carrying out the merger, the advice available in Audit Scotland's Learning Lessons of Public Body Mergers Good Practice Guide was important in helping to shape thinking and early planning in the new service. This was of even more importance given the limited experience within fire and rescue services of managing change on the scale and complexity inherent in the reform of the service. The experience of the SFRS resonates with many of the lessons highlighted by Audit Scotland. In particular visible leadership from the Chair and Chief Officer was important especially in the initial phases of reform. Having clear reform goals, identified benefits and the right organisational procedures and systems to track and secure those benefits mattered, as did a focus on building positive relations among the new management team and with the new board, and building effective governance processes. But other factors over and above these were critical to the success achieved. For example, momentum is vital to success so that staff and stakeholders are aware of and fully engaged in making the change happen, while a lack of momentum can all too easily result in a lack of real progress. From the outset the SFRS sought to develop a pragmatic set of responses to the challenges inherent in merger processes to build and maintain its momentum. Equally, by being disciplined in pursuing reform goals, tempered by pragmatism in how they were to be realised, the service was able to progress well with reform and achieve the desired benefits

11.3 The success of the merger and the skills and knowledge that this has now generated within the service leaves SFRS well placed to take on the next set of challenges as it looks ahead and plans for its future in keeping the people and communities of Scotland safe. The service will endeavour to share these lessons with other public service partners to ensure that they too will be able to benefit from the experience the service has gained through reform.