



Shropshire and Wrekin Fire and Rescue Authority

Medium Term Corporate Plan 2011-15

(Version 1.DRAFT)

DRAFT



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Document History


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DRAFT

1. Introduction

With public sector net borrowing currently standing at £148.5 billion the scale of national debt is unprecedented. It is a debt that impacts upon all in society and one which must be reduced to protect and sustain the nation's economy. The Coalition Government's measures to reduce the debt have consequences for all public sector organisations, measures to which fire and rescue services are not immune.

This document, The Medium Term Corporate Plan (MTCP) supersedes the Medium Term Corporate Plan that has been a feature of this Fire Authority's financial planning for a number of years and is featured on our website once the budget has been set at the Authority's February meeting. This year is no exception; however there was a very great level of financial uncertainty leading up to the 2011/12 budget. The Fire Authority therefore decided to reframe the MTCP during the year to deal with the uncertainty, and in particular to link service and financial planning issues as closely as possible. To this end, this MTCP incorporates the findings arising from the wide ranging 2010 Public Value Review carried out within the Service. The Authority is also keen to create a plan that can be regularly updated as events unfold.

The Plan includes measures to meet the challenges set out in the recent Government Spending Review; it addresses stakeholder expectations and creates Public Value in the context of Big Society. The review is the most comprehensive staff engagement exercise ever undertaken and has sought to create a Service culture and approach of one Team, to deliver one Service, with one clear Vision.

This Plan is therefore focused on the key issues ahead of us. Much of the background and recent developments explaining how we got to the present financial position can be found in the current Plan for 2010/11. Hopefully therefore this Plan will be flexible and readily accessible to assist forward planning.

What therefore does the MTCP seek to achieve? The Plan's aims are to ensure that the Authority has sufficient resources to deliver its objectives and to manage risk and uncertainty.

2. Current Service

Shropshire and Wrekin Fire and Rescue Authority's strategic planning process is built around a number of dependencies and milestones which overlap into three key areas: service, financial and improvement planning. As the Service enters the most economically challenging period to ever face all public services, never has there been such an important time for the Authority to work together with the community. In moving forward the Authority has implemented the concept of Public Value.

The Fire Authority recognised early during 2010, that irrespective of which political party secured victory at the May general election, action would be necessary to address the accumulating national debt. Acutely aware of the debt crisis (public sector net borrowing for 2010 currently stands at £148.5 billion¹) and acting in a proactive manner that recognised the potential consequences of any Government strategy to tackle the deficit, SWFA implemented the most comprehensive staff engagement exercise ever undertaken. Entitled the '*Public Value Review*,' the Member led exercise has sought to create a Service culture and approach of **one Team**, to deliver **one Service**, with **one clear Vision**.

Public Value, as a concept, is focused upon both public and staff *participation* (consultation) and is based on the assumption that public services, as with the private sector, create value but unlike the private sector, this value cannot be simply reduced to financial profit and loss. As a concept, it identifies with organisations such as ours as creating a wide range of beneficial outcomes, which include, as examples:

- wider economic value
- social and cultural value
- fairness and equity, particularly with reference to vulnerable groups
- political and democratic value by encouraging debate, participation and engagement amongst citizens and staff, and
- long-term sustainability of social and economic networks

The review, through a structured process of staff engagement, has sought to solicit the views, opinions and moreover support of staff to unite into a single team to form a collective strategy to address the likely budget cuts. This has resulted in approximately 95 percent of the Service's 650 staff participating in the review.

Staff have identified a range of initiatives, which if successfully managed and implemented, will result in an incremental 25 percent reduction of the Fire Authority's grant budget over a four-year period. The initiatives predominantly take advantage of natural staff attrition rates to secure savings whilst maintaining, without significant reduction, frontline services to the community. Essentially, this approach allows for a gradual budget reduction whilst avoiding compulsory redundancies, maintaining all fire stations and alleviating the necessity for merger with one or more other fire authorities.

¹ http://budgetresponsibility.independent.gov.uk/d/econ_fiscal_outlook_291110.pdf

Nevertheless, it must be stressed, that the approach is an integrated four-year strategy and not one that can be considered by taking each year in isolation. Moreover, any budget reduction of the scale referred to will have some impact upon service delivery. It would be highly misleading to believe that the economic cuts set out by the Coalition Government can be absorbed without some detriment to frontline services.

Financial planning each year centres on preparing five-year revenue and capital budgets, leading in February to the fixing of the precept for the year ahead.

The process for budget planning is agreed in detail each year but must be led by service planning, government's formula grant and the level of the potential precept. To be effective, strategic planning must ensure that all service plans are consistent with the budgets as agreed each February. The MTCP must be prepared in a consistent way to aid future planning.

Traditionally the MTCP has been updated as part of the annual planning process and agreed three months into the new year by the Authority at its June meeting. Although the MTCP is a key element of the process it has always been produced as a standalone document, primarily focused on financial issues.

In supporting the Public Value process the MTCP has been reviewed and developed into an all encompassing five-year joint that embraces medium term service and financial planning. It will become a working document and will detail how the Service intends to develop, cost and implement proposals/changes that have been identified as part of the Public Value Review.

3. Outcomes of the Public Value Review

The outcomes of the Public Value Review provide a unified outlook regarding:

- A new vision for an uncertain future
- The Service's core priorities to the community
- A new *deal* with the community
- The key performance measures necessary to provide assurance and community confidence

The key outcomes from the review are summarized below.

- **A new vision for an uncertain future**

In addressing probably the most significant change to ever face the Service the review has identified that the core aims of the Fire Authority must be to secure a:

- A Safe Community
- A Prosperous Community
- A Sustainable Place

The Authority considers the following succinct vision representative of its message it wishes to express to the Communities of Shropshire, Telford and The Wrekin:

'Working with Communities we will support a safe, prosperous and sustainable Shropshire'²

The achievement of this new vision will be underpinned through a new strategy that seeks to secure and deliver to the collective community a professional response coupled with precision prevention. The initiatives/activities supporting the strategy will be:

- Strong local leadership
- Effective public engagement
- Successful teamwork
- Local innovation
- Flexibility of approach
- A commitment to personal development



This approach is summarised in Figure 1 (right).

Figure 1. *A New Strategy for a New Future*

² Reference to 'Shropshire' includes the administrative areas of Telford and Wrekin.

- **The Service's core priorities to the community**

Through comprehensive engagement within the Public Value Review, the core priorities are considered to be (in no order of priority):

- A Service whose primary function is rescue from fire
- A local Service available to the local community 24 hours a day, 365 days a year
- A local Service with a local Fire Control function delivering local needs
- A professional response to the extinguishing of fires
- A professional response, in partnership with other agencies, to road traffic collisions
- The delivery of an effective community safety strategy that integrates with the philosophy of *Big Society*, encouraging citizens to take greater ownership for their and their neighbours' safety
- Provision of a competent and professional workforce

Since time immemorial the FRS has performed an array of functions above and beyond those for which it has a statutory function, and in many instances not financed, to perform. From the proverbial rescue of a 'cat up a tree' through to rescue of casualties trapped in flooding or those who have fallen into the river Severn are familiar examples of *moral* duties that the Service responds to (but is neither funded nor legally obliged to perform).

A review of the myriad of duties performed by the Service has led the Authority to conclude that the key moral duties that should be provided are:

- Continue to provide humanitarian services, but in closer cooperation with other agencies (e.g. RSPCA)
- Protection of the built and natural environment from fire and flooding
- Responding to people in distress arising from emergencies where life is in danger
- Providing a water rescue capability

- **A new *deal* with the community**

When balancing a decreasing budget and workforce, and still endeavouring to meet public expectations it inevitably becomes essential to have a new *deal* with the community. Through the Public Value Review a new, simplified and pragmatic *deal* has been forged.

The new *deal* is articulated as:

We ask you

- To take more responsibility for your, your family's, your neighbour's and community's safety
- If you are able, to support us to deliver our prevention functions for the most vulnerable in society
- That you actively support your local fire-fighters in their public duty

In return we will

- Continue to support the most vulnerable
- Deliver the critical service you need
- Improve the way we involve and communicate with you
- Deliver a cost effective service

- **The key performance measures necessary to provide assurance and community confidence**

The Public Value Review has identified the need to move away from the traditional target driven culture prevalent within many public services and instead introduce a more outcome-focused approach aimed at creating *Public Value*. Adopting such an approach, a new set of measures have been developed and consulted upon with both staff and the community.

The key driver for any measure must be the ability to capture public satisfaction with performance. It is also important that those monitoring and managing performance have absolute clarity over the relationship of inputs (e.g. activity and resources) linked to outcomes (e.g. public satisfaction). To this end, and taking advantage of Government's relaxation of historical national performance indicators, a new suite of community focused *Gold* measures are proposed. These are:

- **The number of accidental fire deaths occurring per annum**
- **The number of accidental fire injuries occurring per annum**
- **The number of fire related crimes occurring per annum**
- **The number of fires in business premises occurring per annum**
- **The correct deployment to incidents of equipped and trained fire fighters**
- **The average cost per household, per annum, for the fire and rescue service**
- **The number of injuries sustained by firefighters per annum**

The measures form part of an integrated suite of performance measures, with the Gold measures supplemented by inter-linked Silver and Bronze measures. The Fire Authority's Strategy and Resources Committee are responsible for the setting of targets against each measure, with the Audit and Performance Management Committee tasked with monitoring performance.

The Service is responsible for delivering the corporate outcomes set out in the document. The Annual Service Plan sets out the objectives necessary to deliver the Gold measures, balanced against budget constraints.

4. Current Service Finance

- **Base plus Committed Growth**

The Authority starts its budget planning from its **base budget**, i.e. the existing budgeted cost of providing services. To this is added **committed change** i.e. known or expected changes in the next four years that have been committed by previous decisions of the Authority, or which will affect the finances but which are outside the Authority's control.

Examples of committed change as a result of the Authority's own decisions include the debt charges for borrowing to meet the current year's capital programme; planned efficiency programmes etc. Events outside our control might include changes to the Employers' contribution to pension schemes, or national taxation changes.

Table 1

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Base budget (2010/11 base)	21,366	21,366	21,366	21,366	21,366
Committed change					
Pension Costs	200	290	290	400	400
Previous years investment and renewal	-63	-34	-129	-160	-200
2010/11 developments	184	206	206	206	206
2010/11 Efficiencies	-152	-152	-152	-152	-152
2009/10 inflation (-100) offset by vacancy allowance removed (150)	50	50	50	50	50
Base budget review (uniforms; stowage; etc)	-59	-124	-124	-124	-124
Total committed change	160	236	141	220	180
	21,526	21,602	21,507	21,586	21,546

5. Inflation

Quite separately the Authority tries to “inflation proof” this base plus committed resource provision by adding a pay and price contingency each year over the next five years, including the current year. This is a very significant element of annual change to the budget even at the current very low levels of inflation. However the Authority views this as an important element in service planning. Failing to deal with the effects of inflation e.g. by imposing a simple cash limit can distort the level of real service provision.

The Authority’s policy is always to make what it considers a realistic assumption about future inflation in order to avoid reliance on reserves to meet any unexpected shortfalls during the year. Balancing this is the desire to keep demands on taxpayers to a minimum and therefore to avoid an excessive level of provision. The problem however is the disproportionate impact of pay settlements over which the Authority has little control because they are largely settled by national negotiation. 2010/11’s provision was based on about 2.5% but of this about 70% or £350,000 is dependent on two key settlements i.e. for firefighters in July and support staff in April.

Price inflation is about 30% of the provision, and is very difficult to predict, ranging from 3.4% in April down to zero or even negative numbers for some supplies. Currency movements are also important e.g. for purchase of equipment from the Euro-zone.

The graph below demonstrates the level of uncertainty at present and clearly compounded in future years:

Faced with this, but given the low level of current pay settlements the Authority decided in the light of problems of failing to budget adequately for inflation in 2011/12, that 3% is assumed for prices and 1.5% for pay next year. It also decided to set its future planning on an across the board assumption of two percent in each year, and for both pay and prices. The Authority recognised that this was an average for a range of expenditures and over a five year period. However it felt this to be a reasonable working assumption especially given the need to be consistent with other assumptions it would have to make on sources of income.

Table 2

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Inflation Contingency needed	336	401	425	433	442
Cumulative provision	336	737	1,162	1,595	2,037

6. Ensuring Best Value

This section demonstrates that the Authority is aware of the need to examine and challenge its base expenditure, and therefore concentrates on methods of maintaining best value. However it is increasingly clear that there is a wider aspect which is delivering “public value”. Public Value ensures that the services, their level, and the way in which they are provided in a quickly changing public service and financial climate are agreed and accepted by the public we serve. The section differentiates therefore between the processes of achieving public value, from the more specific processes of best value. The distinction between best value and public value is one of timing and significance, but both are part of the Authority’s ambitions to:

- meet the needs of local people;
- provide services that are to the level and quality required by the public;
- are at a price that is acceptable; and
- are capable of being improved continuously.

The Authority recognizes that this is particularly important as it starts its budget process each year with the current year’s base budget. This has the advantage that it ensures that no major omission can occur during the process, but requires close investigation of all budgets to ensure that existing spending levels are not taken for granted.

The Authority tests whether it is providing Public Value through:

- its costs
- services that are appropriate for and consistent with achieving our planned targets as agreed with all stakeholders
- comparative information from other brigades and suppliers
- consultation with the public and stakeholders

The Authority is therefore clear that “Public Value” means:

- services are of the right quality being both fit for purpose and meeting local need
- services are delivered economically, i.e. competitively, whether by ourselves or by an external provider
- services are provided efficiently by ourselves or working with partners
- services are effective in meeting the needs of the public and at the right time
- diverting resources constantly from areas which are no longer a priority to fund improvements in areas that are.

- **Objectives of the Public Value Strategy**

The Authority's objectives in achieving public value are to:-

- target resources towards meeting local need
- deliver its corporate priorities, including improvement priorities
- integrate best value principles within existing management, planning and review processes
- provide services that meet local needs most economically, efficiently and effectively
- benchmark where possible and adopt good practice
- ensure it develops a culture of continuous improvement
- ensure its managers are trained and developed to achieve value for money as is required of them

- **Delivering Public Value**

The Fire Authority has adopted a formal process of public value review through the Strategic Risk and Planning Group (STRaP). This is intended to deal with major changes to the way the service is delivered and indeed potentially whether existing services are considered a priority by the public.

The methodology is led by this Working Group of key Members of the Fire Authority. This is at the heart of delivering wide-ranging innovation to the way the Service is managed and delivered through staff and public consultation. It looks at fundamental issues and, as such, is likely to deliver the largest shifts in use of resources through examining what services we deliver and the method of delivery.

The results of the STRaP Working Group's reviews together with the work of the Budget Working Group are fed into the Authority's Strategy and Performance process. In parallel the Authority's existing processes for maintaining best value are set out below

7. Efficiencies

Best value is a key part of the Authority's culture and two of its policies reflect this:

- The ambition that service developments should take into account funding available from efficiencies
- An open approach to delivery of the Government target for efficiencies for the Fire Service as a whole

Although the target is acknowledged as a national average, and not all authorities will be able to achieve it, this Authority takes the view that it should aim to deliver its average share and, if higher efficiencies are deliverable, to deliver these as well. The current situation is set out below.

Table 3

On-going efficiencies	2005/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
2004/05 Final	167			
2005/06 Final	203			
2006/07 Final	318			
2007/08 Final	252			
2008/09 Final		327		
2009/10 Final			281	
2010/11 Latest estimate				427
	<hr/>	<hr/>	<hr/>	<hr/>
	940	327	281	427
	<hr/>	<hr/>	<hr/>	<hr/>
National Target Disaggregation	930	307	307	307

The Authority has achieved its disaggregated share of the national target for the period to 2008. From 2008/09 new targets have been set for the service of 1.6% each year until 2010/11. This equates to £307,000. The Authority has expressed how difficult it will be to find ongoing savings of this magnitude other than through the work of its Strategic Risk and Planning Working Group and has set annual targets of £150,000 for future years and asked for regular monitoring reports on achieving efficiencies. Notwithstanding, the overriding policy remains one of maximising efficiencies therefore they would not be limited by the national target, and equally, if efficiencies fell short after exhaustive work, then this would not be regarded as a failure in itself. The picture for the first year of the new targets (2008/09) shows that the disaggregated total has been achieved, and 2009/10 efficiencies when aggregated show only a minor shortfall. 2010/11 will exceed the national average. Although national targets for later years have not been set, work will continue to maximise efficiencies. In the 2011/12 budget plan the following efficiencies are planned

Table 4

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
<i>Training efficiencies</i>	-4	-4	-4	-4	-4
<i>Changed ridership factors</i>	-148	-148	-148	-148	-148
Ill-health retirement costs	-40	-80	-120	-120	-120
Insurance savings	-100	-100	-100	-100	-100
Base review	-35	-35	-35	-35	-35
Future targets		-150	-300	-450	-600
New efficiencies	-175	-365	-555	-705	-855

(figures in italics treated as commitments)

- **Comparisons and Benchmarking**

The main thrust is through using best practice as demonstrated in the examples emerging from the Fire Authority's annual efficiency statements. Apart from those generated directly by the Fire Authority, former partnership working through the West Midlands Regional Management Board and Family Group working parties alerts us to local opportunities and experience. We have continued to refer to the Audit Commission's paper "Rising to the Challenge" with particular interest in work done on ridership factors and innovative means to deliver some aspects of service, and to Best Value Indicators produced by the Commission.

The Fire Authority examines annually each example of good practice highlighted nationally and checks whether these are practical for this Authority to adopt and whether work has already been done or is in progress.

Finally, the Fire Authority examines each year the variations in costs as shown in the CIPFA Fire Service Statistics. Members have expected to be able to understand whether any of the variations reveal opportunities to make efficiencies and request officers to follow them up with authorities that show apparent good practice. The Audit and Performance Management Committee has started to explore national benchmarking of "back office" services and has received a report on financial services.

- **Growth and Savings during the Budget Process**

Both service efficiencies and the need to prepare for unavoidable service development pressures are built into the forward planning processes within the budget. Currently the provisions, based on realism and past experience, is for £200,000 of unavoidable new spending and £150,000 efficiencies a year, i.e. a net additional budget pressure of £50,000 each year. A clear distinction is drawn between efficiencies and service reductions which may be needed to accommodate the extra spending pressure. The Authority has decided in 2011/12 having examined all known service pressures that because they are "one-off" amounts, it can meet them from expected under spending and savings in 2010/11. It is therefore not adding £200,000 next year. Conversely after reviewing the base budget it has decided to budget for £35,000

efficiencies next year rather than £150,000. This does not mean that the Authority will make any less effort to maximize efficiencies wherever it can.

- **Base Budget Reviews and Statement of Accounts**

Since 1999, the Fire Authority has agreed a budget process whereby finance officers and budget holders examine each budget heading in the light of the previous year's outturn and the progress made so far in the current year. The intention is to make the budget as realistic as possible and, in so doing, to identify the scope for formally reducing budgets. This could be either as a result of realism, i.e. events outside the Fire Authority's control, or as a result of work by officers to obtain efficiencies, i.e. savings with no reduction in service. The Authority also reviews in detail the outcome of the previous year as reflected in its annual Statement of Accounts in order to ensure that there are no threats to service plans or opportunities that could be grasped for redirecting resources.

- **Effective Use of Information Technology (IT)**

The Fire Authority has a policy of using IT to increase efficiency. Current examples are the introduction of linked IT communication at retained stations and remote terminals to allow part-time working from home or link key officers to the office. There has also been a significant move to electronic processing of data with the Authority's bank and a move from cheques to direct credit transfer. Although not confined to IT initiatives, the Fire Authority has agreed to invest up to £100,000 in achieving efficiencies through the Shrewsbury Accommodation Project. This will include new ways of working, further digitization of paperwork and electronic data storage and or other solutions that will deliver acceptable returns for capital outlay. Most notably, the Authority had the foresight in 2010 to invest in a new command and control system (a prudent decision given the recent announcement to cancel the national FiReControl Project). Each of these projects is being managed under the overarching HQ development plan.

- **Effective Corporate Procurement Mechanisms and Outsourcing**

The Fire Authority's procedures for procurement have been completely updated to change the emphasis from lowest cost to ensuring best value, whilst being fit for purpose and meeting the needs of the public and service users. The Authority also recognizes that many services are more economically provided by contractors or by other local authorities e.g. support services and there is therefore no presupposition that services are best provided directly.

- **Achieving Economies through Joint Working**

The Fire Authority has a history of attempting to deliver services with partners to reduce costs. In particular, regional working is delivering cost savings on recruitment, procurement, and community safety. Local Area Agreements are also producing savings by using staff more flexibly across partners' individual services. Agreements have been made to share the use of property with the West Midlands Ambulance Service. The CFO is a member of the Shropshire

CAA Executive group where further work is well underway to identify scope for joint working to improve efficiency further.

- **Customer Feedback/Public Value**

The Fire Authority has been highlighted as having an effective annual consultation process with the public on risk reduction changes and on the budget. In particular, “scrutiny panels” organised through external consultants have produced a number of results that have led to a review of resource allocation to areas considered to be of highest priority, and have also informed the Authority on the price that the public are prepared to pay for their fire and rescue service. Consultation is a key element in the delivery of the Public Value work by the STRaP Working Group.

- **Scrutiny**

The Fire Authority has been using scrutiny to drive the search for efficiencies. Members have become even more directly accountable with the establishment of the Audit and Performance Management Committee in 2005, with the separate remit to consider performance, and whether resources are being used as effectively as possible. This involves benchmarking, comparing with best performing providers, and scrutinising audit reports. Separating these functions from the Strategy and Resources Committee, where they were previously performed, has given much more focus to value for money.

- **Audit**

The Fire Authority uses internal audit to evaluate its internal control systems, and supporting and guiding staff in securing value for money as an integral part of their role. Examples include checking that proper procurement practices are in place and information and financial systems are up to date and are accurate so that informed management decisions can be taken.

Internal audit also questions current practices, and suggests improvements. This is helped by the employment of internal audit services from Shropshire Council, who can bring examples of good practice particularly in the operation of common systems, e.g. creditors and payroll.

- **Performance Management**

This Plan sets out the aims and corporate objectives which set the ground work for the key performance indicators. These are then monitored by officers and the Audit and Performance Management Committee and the Fire Authority.

The aims and objectives are also embedded in the Business Department structure and set out in their Directorate Plans. This enables the Fire Authority to focus its efforts and resources on achieving its targets, measured by the key performance indicators, as well as meeting agreed priorities.

Moving into 2011 the Service is reviewing its internal performance management processes to ensure that maximum efficiency is gained particularly from our prevention activities.

- **Organisational Structure**

The Fire Authority is a well managed organisation characterised by:

- Effective and understood political structures
- A focused corporate centre contained within its own Business Department, with extensive outsourcing of support services
- Clearly defined and accountable Service Departments
- Clear standards and efficient corporate governance mechanisms
- Strong systems of financial management and control and
- Well developed training and development programmes for all staff
- Effective distributed leadership across the Authority and the Service.

The Authority believes that this infrastructure is necessary in order to deliver public value across all activities.

- **Key Projects**

The key projects for the coming year is reflected in the STRaP programme and include:

- Monitoring previous investments made via the IRMP process.
- Public Value review of Service provision.
- Production of 5 year strategy to respond to national public funding cuts.
- Managing the effective and efficient development of the new Station/HQ at Shrewsbury and improving efficiency through new ways of working.
- Consolidation of the Service's interim control room arrangements to long-term resilient arrangements (following the announcement to cancel the FiReControl project).

8. Service Development Plans

Having established the budgets required to deliver current services, and the methods by which public value is maintained, the Authority has established its service development plans over the next five years. These consist of both revenue developments and its programme for capital investment.

Revenue developments have been identified as follows:

Table 5

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
<i>District Development Teams</i>	203	226	226	226	226
<i>Other developments</i>	-19	-19	-19	-19	-19
Contingency to meet future pressures		200	400	600	800
New developments		200	400	600	800

(figures in italics treated as commitments)

The capital investment programme for new scheme **starts** was agreed as set out below. Only schemes due to start in the current year can proceed. Schemes due to start in later years are not finally committed and are reviewed each year as part of the budget process.

Table 6

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Appliance Replacement	200 (1)		400 (2)		1,200 (6)
Four wheel drive vehicles (3)	80				
Fire Kit replacement					
Breathing Apparatus upgrade	330				
Information Technology	65				
Replacement workshop and stores vans(2)		55			
Provisional sum to replace light vehicles		50	50		
Ford Rangers replacement(5) and Land Rovers (2) including pods				250	
Replacement of Prime Movers				150	
	675	105	450	400	1,200

These new starts are funded as follows:

Table 7

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Borrowing	530		400	150	1,200
Capital Reserve	145	105	50	250	
Grant	-	-	-	-	
	675	105	450	400	1,200

The programme is estimated to result in the following additional revenue consequences from 2011/12 scheme starts. The revenue consequences of the 2010/11 starts are now regarded as committed and are treated as part of the base plus committed changes dealt with earlier in the plan: A scheme for improvements at Wellington Station estimated at £100,000 has been approved for 2010/11 to be funded from savings in 2010/11 revenue expenditure.

Table 8

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Cost of borrowing	13	73	83	127	164
Fund contributions	20	35	42	63	63
Running costs	-	-	-	-	-
	33	108	125	190	227

Borrowing up to 2010/11 is partly supported through the government grant, which is equivalent to about £0.500m a year. The cost of the rest of our borrowing and all borrowing from 2011/12 falls directly on the remaining revenue resources. This is so called prudential borrowing and can only be undertaken if the Authority decides that it is prudent, affordable and sustainable.

The forward programme will involve prudential borrowing and is judged to be prudential; however it will be reviewed in the light of present financial uncertainties.

- **Public Value Reductions**

A new feature of budget planning this year has been the process of Public Value as set out in section 2 which has identified a number of potential expenditure reductions. These can be summarised as follows

Summary of Proposed Budget Reductions 2011/12 – 2014/15

2011/12 Area:	Saving	2012/13 Area:	Saving	2013/14 Area:	Saving	2014/15 Area:	Saving
<i>Legacy Inflation*</i>	£100,000	<i>Reduction of 2 Non-Uniform Posts</i>	£50,000	<i>End to permanent crewing of RT (from 01/01/2014)</i>	£80,000	<i>End to permanent crewing of RT (from 01/04/2014)</i>	£217,000
<i>Insurance Premium Reductions *</i>	£100,000	<i>Reduction of 5 RDS Posts</i>	£30,000	<i>Reduction of 2 Non-Uniform Posts</i>	£50,000	<i>Reduction of 2 Non-Uniform Posts</i>	£50,000
Reduction of 2 Non-Uniform Posts	£50,000	Reduction in RDS budget	£50,000	Reduction of 5 RDS Posts	£30,000	Reduction of 5 RDS Posts	£30,000
Reduction of 5 RDS Posts	£30,000			Reduction in Smoke Alarm Budget	£75,000		
Reduction of 4 planned DST officers	£148,000	Reduction in Building Maintenance Budget	£50,000	Reduction of 1 Training Instructor post	£43,000		
Reduction of 4 WT watch managers	£172,000	Revised Relief Crew Policy	£30,000				
Reduction of 6 Incident Command posts	£372,000	Cessation of permanent crewing of ALP	£297,000	Reduction in Building Maintenance Budget	£50,000		
Removal of station messing	£61,000			Reduction of 1 Brigade Manager post	£100,000		
Reduction in RDS budget	£50,000						
<i>Reduction in Capital Programme*</i>	£63,000	<i>Reduction in Capital Programme*</i>	£90,000	<i>Reduction in Capital Programme*</i>	£160,000	<i>Reduction in Capital Programme*</i>	£125,000
Saving:	£1,146,000		£597,000		£588,000		£422,000
<i>Less included elsewhere *</i>	263,000		90,000		160,000		125,000
Net saving	883,000		507,000		428,000		297,000
Accumulative Savings:	883,000		1,390,000		1,818,000		2,115,000

Key to abbreviations:

RDS – Retained Duty System personnel, **WT** – Wholetime Duty personnel, **DST** – District Support Officers, **ALP** – Aerial Ladder Platform, **RT** – Rescue Tender

** 2009/10 inflation changes are included as a base variation; Insurance reductions are shown as efficiency savings; and the revised cost of the capital programme is detailed and delivers the savings set out above which were measured against last year's forward capital programme..*

9. Revenue Resources Required

The revenue resources required to meet current plans can therefore be summarised as follows:

Table 9

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Base budget (2010/11)	21,366	21,366	21,366	21,366	21,366
Committed change	160	236	141	220	180
Inflation	336	737	1,162	1,595	2,037
New Efficiencies	-175	-365	-555	-705	-855
New Developments	-	200	400	600	800
Capital investment	33	108	125	190	227
Public Value Reductions	-883	-1,390	-1,818	-2,115	-2,115
Total	20,837	20,892	20,821	21,151	21,640

As has been explained earlier capital funding resources will also be required and will on present plans require prudential borrowing:

Table 10

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Supported borrowing					
Prudential Borrowing	530		400	150	1,200
Capital reserve	145	105	50	250	
Grant	-	-	-	-	-
	675	105	450	400	1,200

10. Forecast of Resources Available

Revenue expenditure is funded from the precept we raise on Council Tax Payers adjusted each year by any balances from previous years (the collection fund surplus or deficit); from reserves; and from government grant which includes the redistributed national collection of non-domestic rates.

The table below shows how current spending plans are anticipated to be financed. The Table shows the relative significance of each element.

Table 11

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Revenue Support Grant	7,482 (36%)	7,228 (35%)	6,605 (32%)	6,004 (28%)	6,341 (29%)
Council Tax Precept	13,437 (64%)	13,491 (65%)	13,884 (67%)	14,288 (68%)	14,704 (68%)
Council Tax Freeze Grant	337 (2%)	337 (1%)	337 (1%)	337 (2%)	-
Collection Fund Surplus	117 (-%)	30 (-%)	30 (-%)	30 (-%)	30
Reduction in/ (contribution to) Reserves	(536) (-2%)	(194) (-1%)	(35)	492 (2%)	565 (3%)
Total	20,837 (100%)	20,892 (100%)	20,821 (100%)	21,151 (100%)	21,640 (100)

- **Formula Grant**

Formula Grant accounts for about one third of the Authority's income. Whilst substantial this proportion is one of the lowest for Combined Fire Authorities. Our grant has increased recently and we benefited over the three years of the last grant settlement as the table below shows. The benefit was reduced by the so called "flooring mechanism" This is the means by which the government redistributed some of the benefit to losing Authorities to prevent them falling below a floor and thereby guaranteeing all Authorities at least some gain.

Table 12

	Grant before Floors £000	Increase/ Decrease (-) %	Flooring adjustment £000	Grant actually received £000	Increase/ Decrease (-) %
2008/09	8,383	5.8	-713	7,670	6.6
2009/10	8,511	1.5	-536	7,975	4.0
2010/11	8,633	1.4	-366	8,267	3.7
2011/12	6,848	-20.7	634	7,482	-9.5
2012/13	6,865	0.2	363	7,228	-3.4

The last grant settlement covered the three years from 2008/09 and therefore provided certainty. The new settlement for 2011/12 is for two years. The

outcome is as a result of the interplay of the changes in the quantum of grant for the fire service, distribution formulae, distribution data updates, and flooring mechanisms. The result has been a 20.7% reduction in grant before flooring protection in 2011/12 or 12.6% over the two years after flooring adjustments have been taken into account. Finally the Government are supporting a freeze in Council Tax, by giving a grant of £337,000 equivalent to a 2.5% increase in the precept. This will be available to keep the precept down in 2011/12 only but is not available to offset the effect on service spending as a result of the reduction in Formula Grant.

The next issue to deal with is the reduction in grant over the last two years of the Comprehensive Spending Review (C.S.R.) period. The Government asked the service to plan for a 25% reduction over four years, and appears to have reduced grant by 6.4% in the first two. This leaves a further 18.6% to reduce which, other things being equal would tot up to a 31.2% reduction including the 12.6% already removed. The extra reduction is equivalent to about £300,000 above that already planned. This issue will be kept closely under review particularly as the government is planning a full review of local authority funding before the next settlement is decided.

- **Precept Income from local Council Tax payers.**

Income is the product of the Council Tax base, (i.e. the number of Band D equivalent properties in the Authority area) and the level of the precept. In 2010/11 this is $158,964.71 \times £83.81 = £13,323,000$. The base does increase annually but the impact on income is relatively small compared with decisions taken over the percentage rise in the precept.

The Authority decided to plan for no precept increase in 2011/12 which will enable them to secure the Tax Freeze Grant. The current plan is for a further nil increase in 2012/13 followed by annual increases of 2.5% a year. These increases when multiplied with a modest increase in the number of Band D properties gave the following income:

Table 13

	Precept £	Band D Properties	Precept Income £000
2011/12	83.81	160,324.96	13,437
2012/13	83.81	160,966	13,491
2013/14	85.91	161,610	13,884
2014/15	88.05	162,257	14,288
2015/16	90.25	162,906	14,704

The problem posed by government capping rules over precept increases has been removed but is likely to be replaced by legislation to enforce referenda where an Authority exceeds Government “excessiveness” criteria. This is currently not a problem but will need to be considered as part of future financial planning.

- **Use of Reserves**

Table 11 shows that current predictions are that income will fall short of the resources needed to meet current service levels from 2014/15 onwards. To this can be added about £300,000 if the grant settlement for that period

consolidates the losses incurred in the 2011/12 settlement. The present policy is that there are strategies available to address this order of shortfall including surplus inflation contingency if pay and prices remain low in 2010/11, and a re-examination of Public Value changes and precept policy. In any case there is a two year window of opportunity to develop the best solution. The intention is to avoid the use of reserves. The exception would be their use as part of any future phased plan aimed at ensuring ongoing service expenditure. The Authority would attempt never to depend on one-off sources of funding such as the use of reserves.

- **Capital Resources**

Capital investment has been dealt with as far as it affects the revenue account through debt charges and other costs of financing, plus increased running costs. The main sources of capital finance are borrowing; capital reserves or the revenue account; capital grants; leasing and capital receipts. As stated earlier the Authority presently relies on prudential borrowing and has significantly reduced this dependence through measures identified during the Public Value exercise. The Authority also maintains an Earmarked Capital Replacement Reserve which uses annual contributions from revenue to replace assets at the end of their planned life. An Unearmarked Capital Reserve has also been created to meet the cost of the major St Michael's Street remodelling scheme and or any other significant capital financing. Finding revenue to meet capital costs in future may also become difficult. Leasing has proven unattractive since the advent of prudential borrowing as it is as expensive for most equipment and is far less flexible. Capital receipts are a possible source of funding and the estate has been thoroughly reviewed for opportunities. However these are limited given the nature of the asset transfer that occurred when the Authority took responsibility for the service from the former Shropshire County Council in 1998.

11. Service and Budget Risks

The section above outlines the risks to the resources available to fund services particularly beyond 2014/15. This section deals with the major risks to maintaining and delivering those services.

- demographic and other changes affecting the area;
These are planned into budget projections through the £200,000 annual service development budget
- extremes of weather
A specific reserve is maintained
- legislation, such as a possible change in the Working Time Directive
Major uncertain risks such as these are monitored through the Risk Register, but no specific budget is allocated other than the £200,000 annual provision
- pay, pensions and other matters affecting our employees
An annual contingency is included for inflation occurring in the year. Reserves are also held to meet specific staff issues such as the pension and conditions settlements affecting retained staff.
- technical issues such as the control centre and its associated systems
These are dealt with in the budget projections as far as possible, with reserves provided for unexpected one-off costs
- other unforeseen events such as illness, accidents, liability claims etc
These are covered in a General Reserve, which attempts to balance the cost of such events against the probability of them happening. Insurance cover is also in place for a number of risks
- price inflation and other supply issues
The annual contingency for inflation also meets price increases. Officers review suppliers' contracts to ensure that failures or monopoly situations do not endanger service delivery or cost.

Set out below is a schedule of the reserves that the Authority uses to protect the delivery of its services:

Table 18

	April 2011 £000	April 2012 £000	April 2013 £000	April 2014 £000	April 2015 £000
Major Capital Projects	733	755	-	-	-
Capital replacement	22	9	5	1	-
Extreme Weather	303	303	303	303	303
Efficiency	-	-	-	-	-
Pensions and Other Staff Matters	1,180	500	500	500	500
General Reserve	536	549	562	575	588
General Fund	-	-	-	-	-
Capital Earmarked	18	2	135	318	298
Capital Unearmarked	993	1,454	1,688	1,763	1,803
Total					

In addition the Authority tries to maintain a high level of good governance to minimise the risk of financial or other problems arising, and if they do to take swift action to mitigate their effect.

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12. Dealing with the next Five Years and public finance pressures

The Authority has remodelled its formal structures to bring service planning using “Public Value” processes within the remit of a Strategic Risk and Planning Working Group (STRaP). Their work and that of the Budget Working Group will be co-ordinated through the Strategy and Resources Committee who recommend a combined budget and service strategy to the Authority.

This document reflects the Fire Authority’s current plans and will be used continually as an aid to identifying and communicating how the process of service and financial planning is being developed through the year. An updated plan will be presented to the Authority for its final approval each February together with the agreed budget for the coming year

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