

REPORT OF THE CHIEF FIRE OFFICER

CHARTERED INSTITUTE OF FINANCE AND ACCOUNTANCY BENCHMARKING OF EXPENDITURE

1 Purpose of Report

To inform Members of the findings of a preliminary analysis of comparative financial information for Fire and Rescue Authorities (FRAs) reported by the Chartered Institute of Public Finance and Accountancy (CIPFA). Also, to seek guidance from Members as to the means by which they would wish further more detailed examination of the information to be progressed.

2 Recommendations

The Fire Authority is recommended to:

- a) Note the findings of analysis conducted to date;
- b) Instruct officers to carry out further analysis of the financial information, focussing upon those areas where the expenditure of the Fire Authority is above that of similar FRAs; and
- c) Delegate to its Strategy and Resources Committee responsibility for receiving this further information, and for then considering a course of action for proposal to the Fire Authority.

3 Background

CIPFA produces statistics on expenditure, budgets, appliances and fire stations etc. Each year summary analysis of these statistics has been presented to Members, usually comparing this Fire Authority's estimates with the averages for Shire areas, i.e. Combined Fire Authorities and County Council based Fire and Rescue Authorities.

On 30 March 2006, the Authority's Performance Management Committee received information on the CIPFA expenditure statistics for 2005/06. After considering the broad detail of the statistics the Committee asked that the Fire Authority assures itself that any potential opportunities for service improvement are followed up, through the Strategy and Resources Committee.



At its meeting on 25 May 2006 the Authority's Strategy and Resources Committee received a presentation from officers on the Medium Term Financial Plan (MTFP) 2006-2009. The presentation included more detailed benchmarking information derived from the CIPFA statistics. Members requested that the information provided be separated from the MTFP and presented to the Fire Authority at its meeting on 14 June 2006, in order that decisions could be taken upon which areas of expenditure required further more detailed consideration by officers.

At a financial seminar for Members on 7 June 2006, arranged predominantly for Members to consider in detail its Statement of Accounts for 2005/06, Members will also receive a presentation detailing the findings of the preliminary analysis of CIPFA expenditure statistics.

4 CIPFA Benchmarking

In seeking to ensure the provision of a value for money service to the public of Shropshire and Telford and Wrekin, it is imperative that the Fire Authority makes the best possible use of any available financial benchmarking information, particularly to identify areas where costs are generally not in line with other FRAs of a similar nature. The Appendix to this paper firstly compares the cost per head of population of Shropshire and Wrekin Fire Authority (SWFA) with all other authorities in England using most recent information from the relevant Best Value Performance Indicators (BVPIs), and then uses the comparative financial information provided by CIPFA to identify areas where SWFA can best seek to identify even further efficiency savings.

5 Summary of Findings

The significant findings of the analysis of BVPI and CIPFA expenditure statistics are as follows:

- From the most recently published BVPIs, SWFA has the 19th lowest cost per head of population of all FRAs in England (total 46);
- CIPFA statistics show that the Fire Authority's expenditure on employees accounts for 58.5% of its total budget. Much lower than the 65.6% average for 'all authorities' or the 64.8% average for Combined Fire Authorities (CFAs);
- Employee expenditure is lower within Shropshire mainly due to the relatively low expenditure on wholetime employees, and the much greater use of retained staff;
- As a consequence of the lower than average budget spend on employees, the Fire Authority has a much higher percentage spend on non-employee costs;
- The Fire Authority's expenditure on training, transport, supplies and services, and 'other expenses' do not benchmark well when compared against 'all authorities' or CFAs;
- The Fire Authority achieves lower income than the average of 'all authorities' or CFAs; and,



- An initial analysis of the reasons for increased expenditure on non-employee costs by SWFA highlights that there is a clear link between density of population and numbers of fire stations and fire appliances required, i.e. as population per hectare decreases, the number of fire stations and fire appliances required increases.

6 Next Steps

The limited analysis conducted to date demonstrates that the Fire Authority can make a good case regarding the cost-effective provision of staff; mainly achieved through its extensive use of retained personnel to crew over 82% of its fire appliances. It is also likely that the Fire Authority will be able to demonstrate good reasons as to why non-employee expenditure is higher than average, for example, due to the following:

- The Fire Authority covers the fifth least populated area in England, and there is a clear link between such sparsity and the number of fire stations and fire appliances required to provide emergency cover; and
- The Fire Authority has a long-held policy of providing all staff (including retained) with the best possible equipment commensurate with their safety and the safety of the public. It should be noted that this is not always the case as identified in last year's national review of recruitment and retention difficulties in the Retained Service, which acknowledged that some FRAs have long been found to treat the Retained as a 'second class service'.

In line with the Fire Authority's longstanding commitment to forcing out efficiency savings and to providing value for money to the public, however, it is recommended that further analysis of the available benchmarking information should be carried out by officers. It is recommended that this work should cover all areas of the expenditure information but, in particular, should focus in more detail on those areas identified in the Appendix to this report as being above average spend for CFAs. It is further recommended that responsibility for receiving information on this more detailed analysis, and for considering a subsequent course of action, be delegated to the Strategy and Resources Committee at its next meeting on 21 September 2006.

7 Legal Comment

There are no direct legal implications arising from this report.

8 Appendix

Financial Benchmarking

9 Background Papers

Shropshire and Wrekin Fire Authority:

Audit and Performance Management Committee
30 March 2006, Report 7, 2005/06 Expenditure Statistics and minutes

Strategy and Resources Committee
25 May 2006, Paper 6, Medium Term Financial Plan and minutes



Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk); the implications are detailed within the report itself.

Business Continuity Planning		Integrated Risk Management Planning	
Capacity	*	Legal	
Civil Contingencies Act		Member Involvement	*
Comprehensive Performance Assessment	*	National Framework	
Equality and Fairness		Operational Assurance	
Efficiency Savings	*	Retained	
Environmental		Risk and Insurance	
Financial	*	Staff	
Fire Control/Fire Link		Strategic Planning	

For further information about this report please contact Alan Taylor, Chief Fire Officer, on 01743 260210 or Keith Dixon, Treasurer, on 01743 260201.



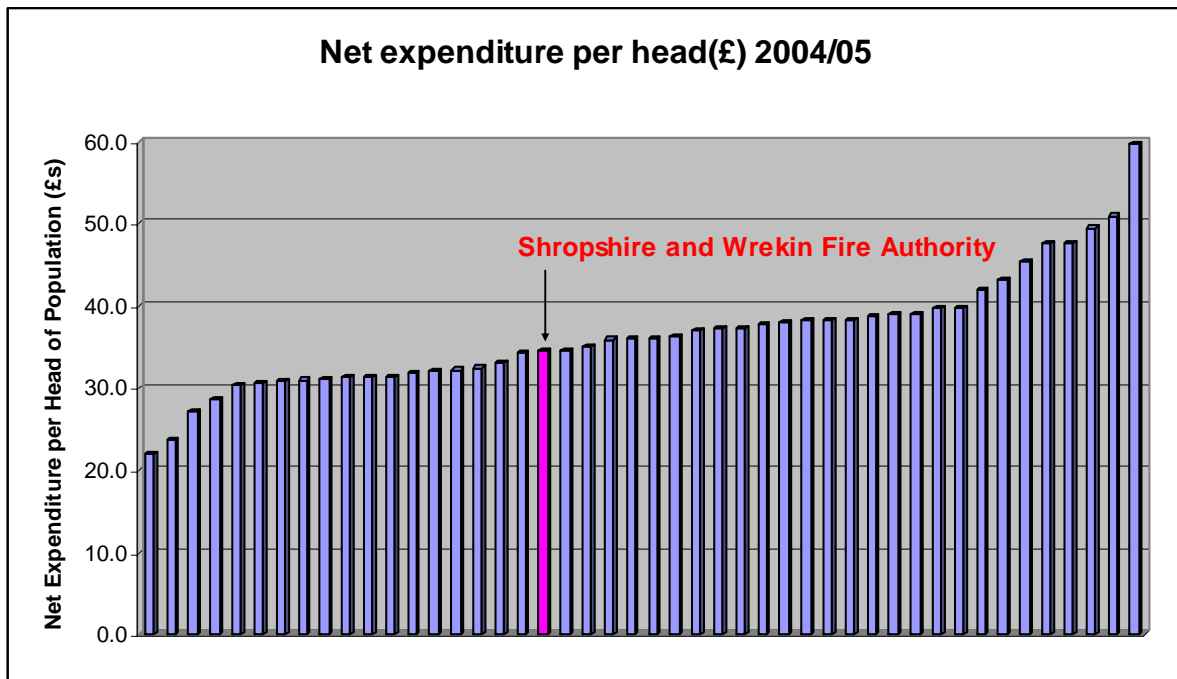
Financial Benchmarking

In line with Shropshire and Wrekin Fire Authority's (SWFA's) longstanding commitment to forcing out efficiency savings and providing value for money, this Appendix firstly compares the cost per head of population of this Fire Authority with all other authorities in England, using most recent information from the relevant Best Value Performance Indicators (BVPIs). It also then uses the comparative financial information provided by the Chartered Institute of Public Finance and Accountancy (CIPFA) to identify areas where SWFA can best seek to identify even further efficiency savings.

Best Value Performance Indicators

The primary BVPI for Fire and Rescue Authorities (FRAs) relating to costs is BV150, which compares 'Expenditure per head of population on the provision of fire and rescue services.' The chart below shows that, in the recently published league tables for this BVPI, SWFA has the 19th lowest costs for all English FRAs:

BV 150. Expenditure per head of population on the provision of fire and rescue services



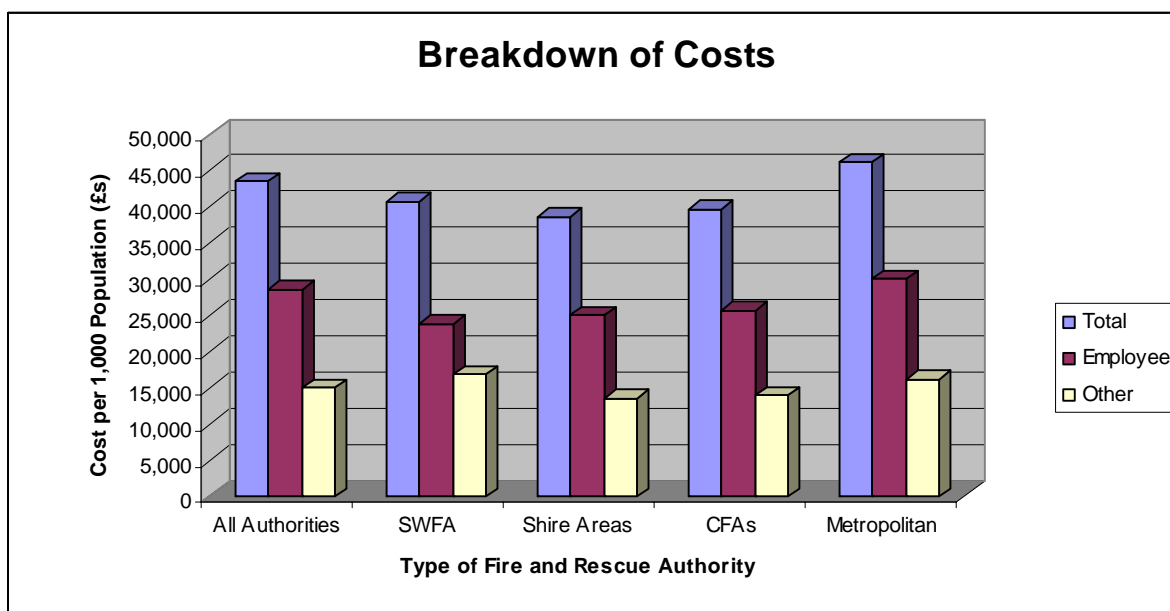
Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA annually provides comparative financial information, against which FRAs can benchmark and thus ensure that opportunities for improving performance are identified. The main basis for expenditure comparisons used by CIPFA is expenditure per 1,000 population. A broad overview of the estimates provided for 2005/06 is provided below:

Breakdown of Expenditure by Employee and Other Costs

The following table and chart provide an overview of the total expenditure per 1,000 population of various types of FRA broken down into employee and 'other' costs.

	All Authorities £	SWFA £	Shire Areas £	CFAs £	Metropolitan £
Total	43,452	40,649	38,551	39,568	46,134
Employee	28,526	23,767	25,048	25,623	29,956
% of Total	65.6%	58.5%	65.0%	64.8%	64.9%
Other	14,926	16,882	13,503	13,945	16,178
% of Total	34.4%	41.5%	35.0%	35.2%	35.1%



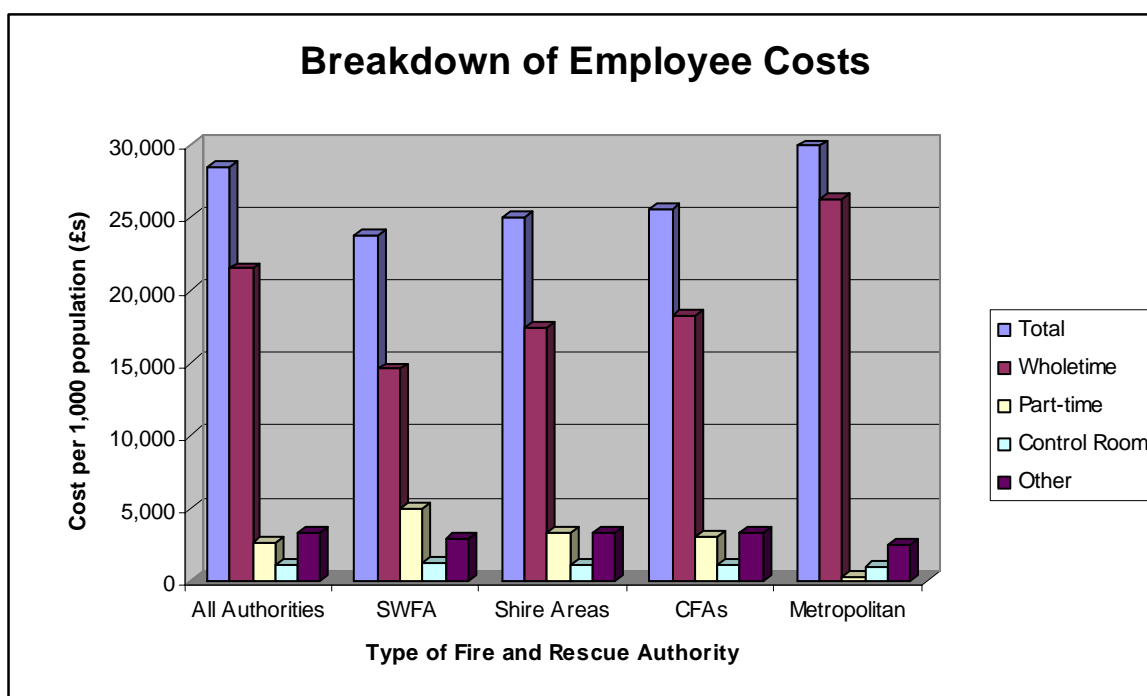
The breakdown shows that, whilst employee costs make up almost 66% of costs for 'all authorities', for SWFA the proportion of expenditure in this area is lower than all other types of FRA at just over 58.5%. Conversely, of course, this means that SWFA demonstrates a higher expenditure than all other types of FRA on 'other' costs, which make up the remaining 41.5% of SWFA's expenditure.



Breakdown of Employee Costs

With employee costs making up such a large proportion of costs for all FRAs, it is important to examine further how these costs are made up. The following table and chart show a breakdown of employee costs into the four main categories of employee:

	All Authorities £	SWFA £	Shire Areas £	CFAs £	Metropolitan £
Total	28,526	23,767	25,048	25,623	29,956
Wholetime	21,510	14,584	17,433	18,198	26,232
Part-time	2,591	5,004	3,283	3,080	284
Control Room	1,064	1,250	1,093	1,050	979
Other	3,361	2,919	3,239	3,295	2,461



The following findings can be summarised from the details provided above:

- For 'all authorities', wholetime staff account for over 75% of employee costs (50% of total expenditure);
- For SWFA, wholetime staff account for 61% of expenditure (36% of total expenditure), well below the figures for all various types of FRA, including CFAs;
- For 'all authorities', part-time (retained) staff account for 9% of employee costs (6% of total expenditure);
- For SWFA, part-time (retained) staff account for 21% of employee costs (12% of total expenditure), much higher than the figures for all various types of FRA, including CFAs;
- For 'all authorities', control room staff account for 3.7% of employee costs (2.4% of total expenditure);



- For SWFA, control room staff account for 5.3% of employee costs (3.1% of total expenditure), above the figures for all various types of FRA, including CFAs;
- For 'all authorities', other staff account for 11.8% of employee costs (7.7% of total expenditure); and,
- For SWFA, other staff account for 12.3% of employee costs (7.2% of total expenditure), generally in line with the figures for all various types of FRA, and slightly below those for CFAs.

The above figures provide an insight as to the reasons for SWFA's employee costs being below those of other types of FRA, including CFAs. Wholetime staff are the most expensive of all categories, and account for by far the largest proportion of FRA expenditure in England. Wholetime staff costs for SWFA are, however, much lower than average and substantially lower than for similar FRAs, i.e. CFAs.

Retained staff, on the other hand, have been identified in national reports as the most cost-effective means of providing fire cover (crewing a retained fire appliance has been estimated as costing one eighth of the cost of its wholetime equivalent). SWFA makes optimum use of retained staff (23 out of 28 fire appliances crewed by retained) and, as such, whilst expenditure on retained is above that of all other types of authority, it is the effective use of retained staff, which keeps overall employee costs in SWFA well below the norm.

Although control room staff only account for approximately 3.1% of SWFA total expenditure, this does not benchmark well with other CFAs (2.7%) or the overall 'all authorities' expenditure (2.4%). It has been well documented in the past that SWFA control room staff carry out many extra duties in addition to their mobilising function. This expenditure anomaly is, however, currently being addressed through the national fire control project.

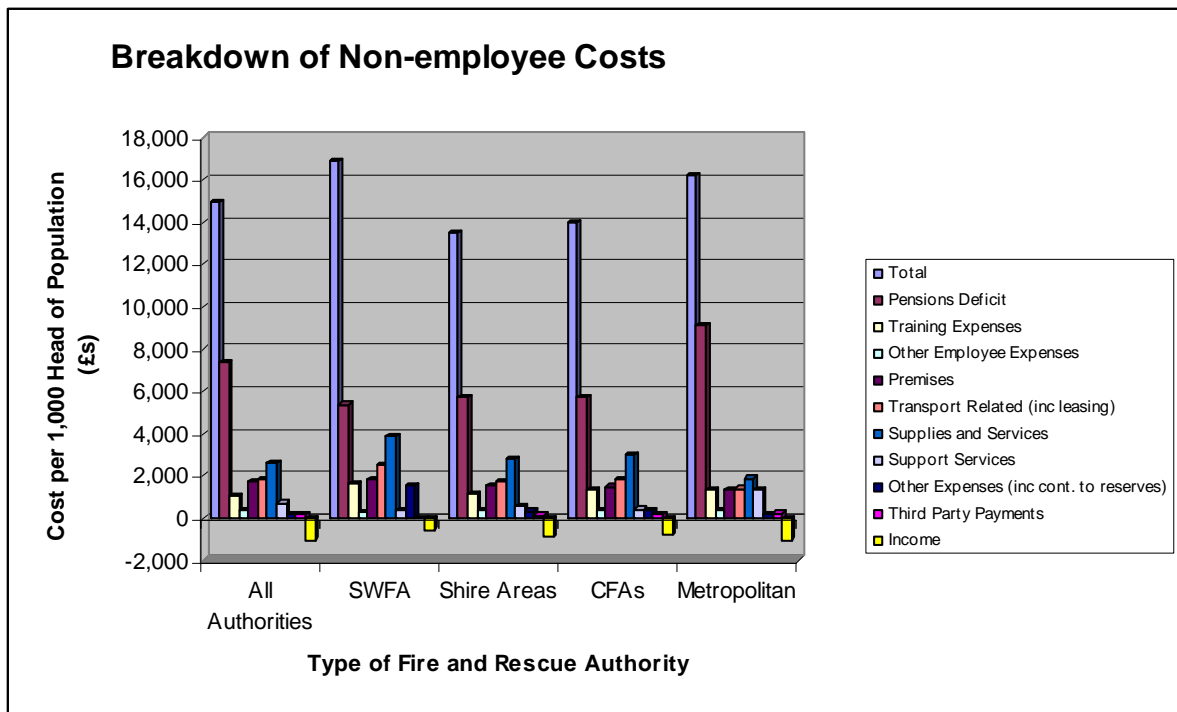
With regard to 'other' staff, it may have been envisaged that as one of the smaller FRAs, the expenditure in this area of SWFA would have been higher than average. The CIPFA statistics, however, prove this not to be the case.

Breakdown of Non-Employee Costs

Non-employee costs are broken down in the CIPFA statistics as shown in the following table and chart.

	All Authorities	SWFA	Shire Areas	CFAs	Metropolitan
	£	£	£	£	£
Total	14,926	16,882	13,503	13,945	16,178
Pensions Deficit	7,350	5,376	5,719	5,748	9,087
Training Expenses	1,038	1,678	1,120	1,340	1,380
Other Employee Expenses	368	273	346	365	401
Premises	1,759	1,812	1,567	1,503	1,322
Transport Related (inc leasing)	1,805	2,512	1,749	1,861	1,399
Supplies and Services	2,577	3,852	2,837	2,971	1,884
Support Services	722	349	592	430	1,335
Other Expenses (inc cont. to reserves)	183	1,577	330	391	173
Third Party Payments	159	0	128	156	227
Income	-1,035	-548	-885	-820	-1,030





As described above, it can be seen that non-employee costs are higher and make up a substantially larger proportion of SWFA's total expenditure than for all other types of authority (41.5% as opposed to 35.2% for all CFAs and 34.4% for all authorities). Each of the areas of cost is considered in more detail below.

Pensions Deficit

This is by far the largest aspect of non-employee costs, accounting for 49% of the total non-employee expenditure for all authorities. This is an area, however, where SWFA expenditure is generally in line with that of shire areas and CFAs and well below that of metropolitan FRAs. In view of national changes to the funding of the firefighters' pension scheme introduced in April 2006 this is an area where SWFA will be unable to impact upon expenditure.

Training Expenses

Training expenses account for 2.4% of all expenditure for all authorities, and 7% of non-employee costs. For SWFA the figures are 4.1% and 9.9% respectively, quite substantially higher than the average for all CFAs. Whilst there is no doubt that at least some of this additional cost will be related to the fact that SWFA has a much higher proportion of retained staff than many other FRAs, and that the training costs of such staff are proportionally higher than their wholetime colleagues, this is an area that SWFA has highlighted for further investigation.

Other Employee Expenses

These account for less than 1% of all expenditure for all authorities and 2.5% of non-employee costs. For SWFA the figures are less than 1% and 1.6% respectively. The average for all CFAs is 2.6% of all non-employee expenditure and this is, therefore, an area where SWFA benchmarks favourably.



Premises

These expenses account for 4% of all expenditure for all authorities, and 11.8% of non-employee costs. For SWFA the figures are 4.1% and 10.7% respectively. These costs are, therefore, also generally in line with the average expenditure of all CFAs.

Transport Related (including leasing)

These expenses account for 4.2% of all expenditure for all authorities, and 12.1% of non-employee costs. For SWFA the figures are 6.2% and 14.9% respectively. There is a substantial difference between the transport related costs of SWFA and 'all authorities' and these are replicated when benchmarked against Shire areas and CFAs. These differences have been highlighted before, and an independent Best Value Review has been conducted to determine possible causes. The Review highlighted the high leasing costs taken on by SWFA when becoming a CFA in 1998 and substantial work has been carried out to reduce these costs, including reducing the fleet by five fire appliances during the first year of IRMP. Furthermore, an application to the Secretary of State seeking approval to reduce the fleet provided very detailed information highlighting the additional burden placed upon large rural FRAs with regard to fleet provision. This is, nonetheless, an area requiring further examination by SWFA.

Supplies and Services

These expenses account for 5.9% of all expenditure for all authorities, and 17.2% of non-employee costs. For SWFA the figures are 9.5% and 22.8% respectively. There is a substantial difference between supplies and services related costs of SWFA and 'all authorities' and these are replicated when benchmarked against Shire areas and CFAs. As with training and transport costs described above, however, SWFA can be expected to be out of line with other FRAs on this expenditure due to the relatively high number of retained firefighters employed. For example, it costs the same to kit out a retained firefighter, who provides cover for a population of only 10,000 and attends only 50 incidents per year, as it does a wholetime firefighter, who serves a highly populated urban area and attends over 1,000 incidents. Despite this, however, this is clearly an area where SWFA has room for improvement and further detailed benchmarking will need to be carried out.

Support Services

These expenses account for 1.7% of all expenditure for all authorities, and 4.8% of non-employee costs. For SWFA the figures are 0.9% and 2.1% respectively. These figures, therefore, benchmark favourably with other authorities, including all CFAs.

Other Expenses (including contributions to reserves)

These expenses account for 0.4% of all expenditure for all authorities, and 1.2% of non-employee costs. For SWFA the figures are 3.9% and 9.3% respectively. These figures are substantially out of line with other FRAs, including shire areas and CFAs, and will, therefore, require further more detailed examination by SWFA.

Income

Income for 'all authorities' provides for 2.4% of total expenditure, and 6.9% of all non-employee costs. For SWFA the figures are 1.3% and 3.2% respectively. SWFA has a policy of not seeking to generate income, which may need to be revisited due to the poor benchmarking figures highlighted. The Fire Authority is currently awaiting the issue of an Order by the Department for Communities and local Government relating to charges for services.



Comparative Cost Table

The table below summarises the financial implications of spending above or below average. The variation in cost per head is converted to its cash equivalent by multiplying it by this Fire Authority's population (447,000). This then shows, where SWFA is spending above average, the amount by which its costs could be reduced if it spent at the average (these figures are shown in brackets). Conversely the table also shows, where SWFA is spending below average, how much extra it could spend and still be at no more than the average.

	Cost per 1,000 Population SWFA £	Cost per 1,000 Population All Authorities £	Cost per 1,000 Population CFA's £	Cash Equivalent of Difference All Authorities £000	Cash Equivalent of Difference CFA's £000
Employees					
Wholetime	14,584	21,510	18,198	3,096	1,615
Part-time	5,004	2,591	3,080	(1,079)	(860)
Control Room	1,260	1,064	1,050	(88)	(94)
Other Staff	2,919	3,361	3,295	198	168
Total	23,767	28,526	25,623	2,127	829
Pensions Deficit	5,376	7,350	5,748	882	166
Training Expenses	1,678	1,038	1,340	(286)	(151)
Other Employee Costs	273	368	365	42	41
Premises	1,812	1,759	1,503	(24)	(138)
Transport	2,512	1,805	1,861	(316)	(291)
Supplies and Services	3,852	2,577	2,971	(570)	(394)
Support Services	349	722	430	167	36
Other	1,577	183	391	(623)	(530)
Third Party payments	-	159	156	71	70
Income	(548)	(1,035)	(820)	(218)	(122)
Total	40,649	43,452	39,568	1,252	(484)

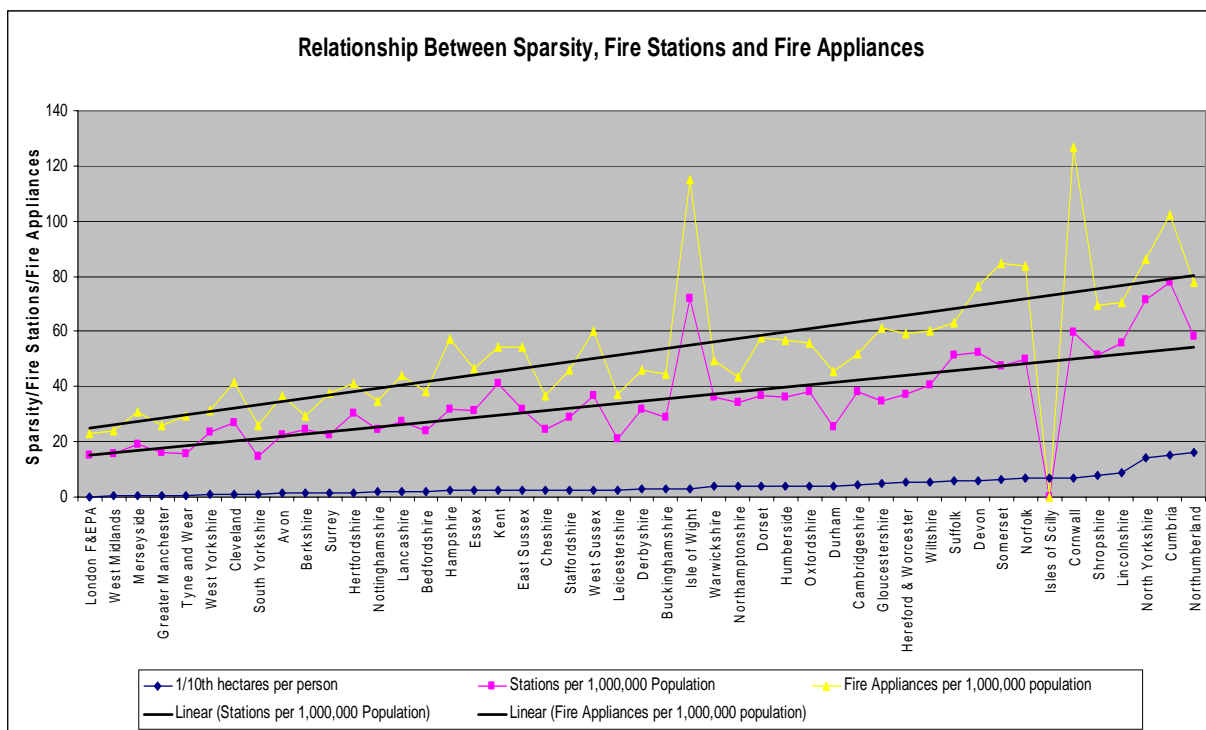


Summary

The above analysis indicates that, whilst SWFA can have a reasonable degree of confidence in its expenditure on employees, further efficiencies and savings may best be found by more detailed examination of its spending on non-employee costs, particularly in the areas of training, premises, transport, supplies and services and 'other' expenditure. In undertaking a more detailed examination in these areas two important factors must be taken into account as follows:

Firstly, the accuracy and validity of the CIPFA information must be established. Whilst the information available is long established and comprehensive, the very fact that it is provided by so many different FRAs and relatively unchecked, means that it is important to establish that SWFA and all other FRAs are actually reporting consistently for those areas, where more detailed analysis is conducted. This aspect is likely to be improved in the near future, as it is believed that the Audit Commission is working with CIPFA to identify financial benchmarking information, which can be used for their forthcoming 'use of resources' audit of FRAs.

Secondly, the overarching impact of sparsity upon expenditure needs to be taken into account for each area of benchmarking. The following chart uses information from the CIPFA statistics to demonstrate the effect that sparsity has upon the number of fire stations and fire appliances that each FRA must maintain:



The chart clearly demonstrates that, as the fifth most sparsely populated FRA, SWFA has to provide a substantially greater amount of non-employee resources than those more densely populated FRAs.

