

# Shropshire and Wrekin Fire Authority

## Medium Term Financial Plan

**2007/08 to 2009/10**



## Foreword by the Chair of the Fire Authority and the Chief Fire Officer

This Medium Term Financial Plan sets out Shropshire and Wrekin Fire Authority's (SWFA's) continued commitment to providing a Fire and Rescue Service, which represents the best possible value for money for Shropshire's residents. It builds upon the achievements of the past, and charts a clear course for the future.

We start from a base where our services have recently been highly rated by the Audit Commission who, in their report on 'Fire and Rescue Service Performance Assessment' published during April 2007, used a case study on Shropshire Fire and Rescue Service (SFRS) to demonstrate that smaller services can rise to the challenges of modernisation and are capable of "changing the service to meet needs". Also, in league tables recently published by the Government, the Fire Authority is shown as being 18<sup>th</sup> out of 49 with regard to cost per head of population, despite the fact the our Service covers a large rural county with the third smallest population of all fire and rescue authorities.

We have demonstrated for many years our commitment to 'putting Shropshire's safety first' and have clear performance information confirming an ongoing reduction in the risks posed to the public we serve. We still have much to do, however, and this Plan describes how we intend to maintain and increase vital investment in our Retained Service, in community fire safety in rural Shropshire and, where necessary, in the relocation of our wholetime (permanently staffed) fire stations to provide even greater risk reduction.

Last year's Local Government Finance Settlement saw quite substantial changes to the way in which fire and rescue authorities are funded. Changes included new financial arrangements for firefighters' pensions, changes to indicators caused by the elimination of national standards of fire cover and changes to fire safety law. Changes were also made to the formula to recognise the increasing role of community fire safety work: the fixed percentage element was increased from 3% to 6% and this element was also widened to include the population of those over 65.

This Plan describes the ongoing implications of these changes upon our budgets, and recognises that these developments indicate that the Government is fulfilling its promises, made in the White Paper 'Our Fire and Rescue Service', to re-distribute funding to match risk better. The Plan also, however, describes how a large proportion of the benefits achieved by the Fire Authority in the finance settlement are lost due to 'flooring'. For example, for 2007/08 an increase in grant of 14.3% is reduced to 3.7%, predominantly to ensure that no other fire and rescue authority receives an increase of less than 2.7%. Flooring will mean that the public of Shropshire and Telford and Wrekin will continue to be asked to pay one of the very highest levels of precept in the whole of the United Kingdom for their Fire and Rescue Service, due almost entirely to the fact that many years of Government under-funding will still take years to correct.

A further very significant difficulty impacting upon the ability of the Fire Authority to plan its finances for coming years is the Government's Comprehensive Spending Review, which is now not due to be published until the autumn of 2007. This Plan describes the uncertainties facing the Fire Authority and the risk assessments proposed to prepare a number of 'what if' scenarios, which may seriously impact upon the Fire Authority's ability to maintain services.

Despite these problems, this Medium Term Financial Plan demonstrates that Shropshire and Wrekin Fire Authority will continue to make the best use of its limited resources for the benefit of the public we exist to serve.



Nigel Hartin  
Chair of Shropshire and Wrekin Fire Authority



Alan Taylor  
Chief Fire Officer

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# **Section 1**

## **Introduction and Service Priorities**

## **1. Introduction**

- 1.1** This is Shropshire and Wrekin Fire Authority's (SWFA's) first update to its comprehensive Medium Term Financial Plan (MTFP), which originally covered the financial years 2006-07 to 2008-9. The Plan highlights the way in which the Fire Authority drives the setting of medium term strategic targets, which in turn shape medium term and annual financial plans. This MTFP is designed to be read as a stand-alone document, but its compilation is an integral part of a strategic policy to operational implementation continuum. In particular, the MTFP is closely linked to SWFA's updated Performance Plan for 2006-08, which describes more fully how the Fire Authority will continue to deliver an improved service for the public of Shropshire and Telford and Wrekin. Both the MTFP and the Performance Plan are reviewed and updated annually to take account of national, regional and local developments.
- 1.2** This Plan builds upon the work undertaken in previous years to ensure that financial planning links closely to Service planning and to the delivery of the Fire Authority's five strategic aims. It also embraces a number of wider policy initiatives developed during the year, and describes what appears to be a continuing and favourable (if gradual) shift of central government controlled resources towards more rural fire and rescue services, such as Shropshire. The Plan also, however, highlights the major problems currently being faced by SWFA due to the wide uncertainty over future funding brought about by the Government's planned Comprehensive Spending Review (CSR).
- 1.3** Comprehensive medium term planning is an essential part of delivering an excellent fire and rescue service for the people of Shropshire in the most cost-effective way, but the world does not stand still. Through the Fire and Rescue Services Act 2004 and the National Framework, the Government continues to impose new legislative and policy pressures backed by tougher regulatory and inspection regimes, and these do not always accord with local priorities and pressures driven by our extensive engagement with local communities. Demographic changes and modernisation interact with these priorities and pressures to create increased demands well in excess of additional grant funding, with the potential to impose council tax burdens well beyond that which the tax was designed to withstand. As described above, the uncertainty of future funding brought about by the CSR also clearly has a major impact upon SWFA's ability to plan its finances in the medium and long term.
- 1.4** SWFA's response to these extraordinary demands continues to be one of confronting problems before they become apparent and seizing opportunities before they become established practice. This approach is about leading rather than following, and it is not without risk. But, as a small yet efficient Fire Authority that has always been recognised as innovative compared with others, and one where new pressures are relatively high and funding remains relatively low, a more reactive strategy simply will not do.
- 1.5** This approach to financial planning is based upon solid foundations. SWFA was confirmed as a "Good" fire authority within the Government's Comprehensive Performance Assessment (CPA) during 2005. More recently SWFA has been highlighted as one of the best performing Authorities in the country following a range of audits conducted during 2006. In the Audit Commission's national report on these audits, SFRS is cited in one of only four case studies and is commended for being "consistently one of the best performing services with regard to numbers of injuries, deaths, false alarms and malicious calls" for "providing good value for money" and for having plans for the future which are "clearly linked to budgets; integrated with each

other; cover the medium to long term; and support the vision and aims of the FRA.”

- 1.6** In summary, this Plan reflects a determination on the part of Members and officers to build on past successes, to focus on areas for improvement, to continue to secure excellent value for money, and to take the lead on developing new and improved ways of delivering an even better fire and rescue service.

## Summary of Shropshire and Wrekin Fire Authority's Medium Term Financial Plan

**1.7** Within this section of the MTFP, the longstanding strategic aims and objectives of SWFA are briefly described and broad links with the finances and budgets are provided. The degree to which SWFA's priorities have driven Service improvements and reduced the risks of fire to the people of Shropshire are then detailed, and the medium and longer term financial implications of yet further improvements are considered. These include continuing budgetary requirements for improved community fire safety (CFS) in rural areas; for maintaining and improving the Retained Service; and for the relocation of wholetime appliances to match risk within the more urban areas of Shropshire. Finally, this section also includes a description of how SWFA ensures sound financial management and value for money, and briefly describes its approach to risk management, customer care, people development and working in partnership.

**1.8** Section 2 of the MTFP attempts to place the funding of SWFA within a national context. It describes the process of modernisation, which commenced with an independent review of the Service in 2002 by Professor Sir George Bain, through to changes to the funding of the Service, which have occurred in the most recent Local Government Finance Settlement 2006-07 and 2007-08, and the detail of the Fire and Rescue Services National Framework for 2006-08. With regard to the impacts of national funding upon SWFA this section highlights the following:

- There has been a clear recognition by the Government that funding of the Service needs to change so as to be more focussed upon the actual reduction of risk.
- The Government has introduced changes to funding to recognise that need.
- The changes to date still do not appear to take account of the impacts of sparsity.
- The changes to date are, however, generally beneficial to SWFA.
- The effects of 'flooring' continue to have a huge and disproportionate affect upon the funding of SWFA.
- As a result, SWFA continues to receive one of the lowest levels of central government funding per head of population of any FRA.
- Consequently the precept level set by SWFA will remain amongst the highest of all FRAs.
- Despite the above, SWFA can clearly demonstrate that it provides an efficient and effective service to the public of Shropshire and that it is committed to reducing the burden on local taxpayers.
- Uncertainty over the Fire and Rescue Services National Framework and, more importantly, the outcomes of the Comprehensive Spending Review 2007, mean that SWFA is in a very difficult position with regard to establishing its medium and long term financial plans.

- 1.9** Section 3 of the MTFP seeks to provide an overview of the revenue budgets of SWFA for the period 2007/08 to 2009/10. The factors taken into account when setting revenue budgets for the next three years are summarised as follows:
- SWFA received improved grant settlements for 2006/07 and 2007/08.
  - In responding to the Government's consultation on the grant settlement, SWFA highlighted a number of areas where the council tax payers of Shropshire and Telford and Wrekin continue to be penalised through the revised funding system - namely, through lack of recognition of the impact of sparsity, through the massive negative impact of 'flooring', and through significant losses from unexplained 'previous years' amendments'.
  - The improvement in grant settlements offered SWFA the opportunity to set a nil increase in precept for 2006/07 and 2007/08.
  - The need to take into account efficiencies and service improvements made through its Integrated Risk Management Planning (IRMP) and for substantial investment in the Retained Service, however, required a precept increase for 2006/07 of 4.5% and for 2007/08 of 3.9%.
  - Consultation with the public and stakeholders provided widespread support for such increases.
  - In continuing to drive its longstanding strategic aims for the Service, SWFA manages its budgets through five separate departments each with its own delegated budget responsibility.
  - SWFA has established a number of reserves and provisions, which have helped quantify and clarify the need for a general reserve, and will help to reduce the financial pressure on services in future years, whilst minimising the impact that the need to have these reserves will place on the public and stakeholders.
- 1.10** Section 4 of the MTFP describes the wide range of methodologies and structures used by the Fire Authority to ensure that it is promoting and delivering value for money.
- 1.11** Remaining sections of the MTFP then provide much greater detail on the Capital Investment Plan, the Treasury Strategy and on Budget Risk Assessment. The importance of the Government's CSR07 is explained more fully in the Budget Risk Assessment section of the Plan (Section 7), where the need to make a number of "what if" planning assumptions is highlighted.

## Revenue and Capital Budgets

1.12 So far as Revenue Budgets are concerned, the proposed working budgets for the medium term are as follows:

	<b>2007/08 Budget</b>	<b>2008/09 Forecast</b>	<b>2009/10 Forecast</b>
<b>Department</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Executive	2,315	3,056	3,775
Service Delivery	11,128	11,321	11,412
Strategy and Performance	1,545	1,542	1,542
Human Resources and Development Resources	1,885	1,981	2,017
	<u>2,186</u>	<u>2,146</u>	<u>2,146</u>
	<b><u>19,059</u></b>	<b><u>20,046</u></b>	<b><u>20,892</u></b>

1.13 The pay and price contingency is held within the Executive and distributed according to quantified and justified need.

1.14 Revenue spending plans are co-ordinated and integrated with the capital investment programme summarised below:

	<b>2007/08 Budget</b>	<b>2008/09 Forecast</b>	<b>2009/10 Forecast</b>
<b>Department</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Service Delivery	-	-	150
Strategy and Performance	60	160	75
Human Resources and Development Resources	30	30	30
	<u>960</u>	<u>845</u>	<u>1,215</u>
	<b><u>1,050</u></b>	<b><u>1,035</u></b>	<b><u>1,470</u></b>

1.15 This programme is currently sustainable, funded as follows:

	<b>£000</b>	<b>£000</b>	<b>£000</b>
Loan	730	745	1,015
Capital Reserve	<u>320</u>	<u>290</u>	<u>455</u>
	<b><u>1,050</u></b>	<b><u>1,035</u></b>	<b><u>1,470</u></b>

1.16 Alternative funding directly from revenue or from leasing would be considered, if the opportunity was available and could prove financially advantageous.

## **Service Priorities**

**1.17** The Service Priorities of SWFA were established as long ago as 1998 when the Fire Authority was formed. Although they have been adapted slightly over the years, due, for example, to changes in legislation, they remain fundamentally the same today as they were nine years ago and have been responsible for a massive and well documented improvement in the safety of communities throughout Shropshire. Details of the strategic aims and objectives of the Fire Authority are shown below.

### **Strategic Aim 1**

Reduce the risk to life and material loss from fires, road traffic collisions and other emergencies in the community

#### **Corporate Objectives for Strategic Aim 1**

- 1 Reduce the incidence of deaths and injuries in the community
- 2 Contribute to the reduction of road traffic collisions
- 3 Reduce the incidence of fires and false alarms
- 4 Ensure the effective enforcement of fire safety legislation

Note: Corporate Objective 2 was added (and funded) as a result of the introduction of the Fire and Rescue Services Act 2004 and of IRMP consultation during 2005.

### **Strategic Aim 2**

Protect life, property and the environment from fire and other emergencies

#### **Corporate Objectives for Strategic Aim 2**

- 5 Ensure the provision of an appropriate risk based approach to fires
- 6 Ensure the provision of an appropriate response to non-fire emergencies
- 7 Minimise the effect of our intervention actions on the environment

### **Strategic Aim 3**

Secure the highest level of safety and welfare for all staff and Authority Members by providing effective supervision, training, equipment and systems of work

#### **Corporate Objectives for Strategic Aim 3**

- 8 Maintain and improve the health, safety and welfare of all Members and employees
- 9 Ensure that all Members and employees are competent and able to perform their role
- 10 Ensure the provision and availability of appropriate equipment, resources and supplier support

### **Strategic Aim 4**

Provide a service that demonstrates quality and Best Value in service provision

#### **Corporate Objectives for Strategic Aim 4**

- 11 Promote a partnership approach in pursuance of continuous improvement, having regard to a combination of economy, efficiency and effectiveness
- 12 Ensure the provision of a service that meets the needs of the community
- 13 Ensure the effective management of performance and corporate risk
- 14 Reduce the environmental impact of our daily conduct

### **Strategic Aim 5**

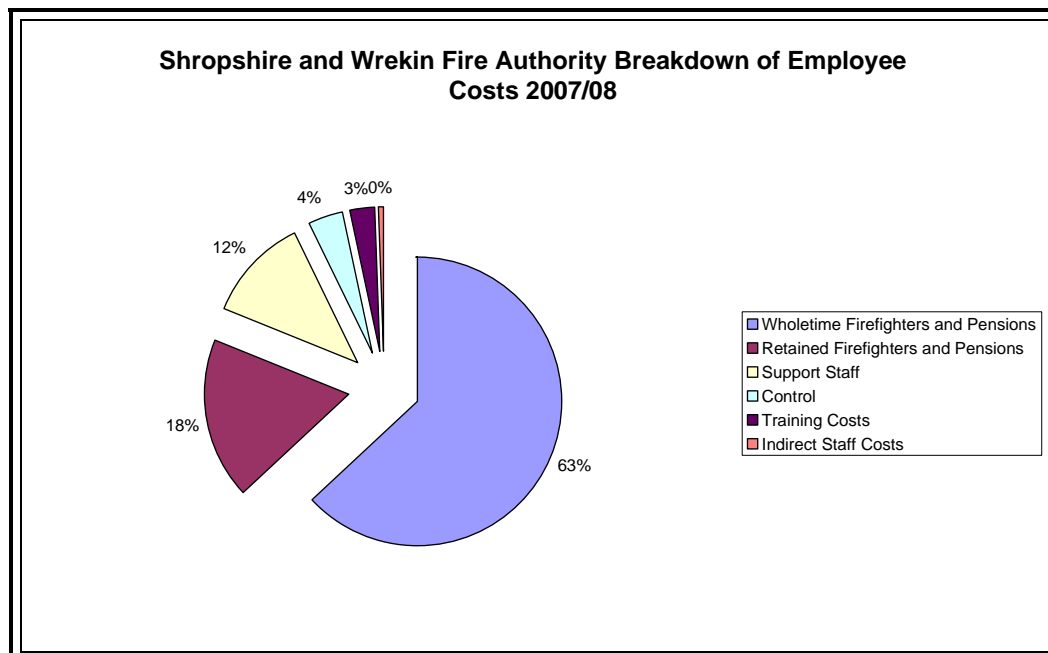
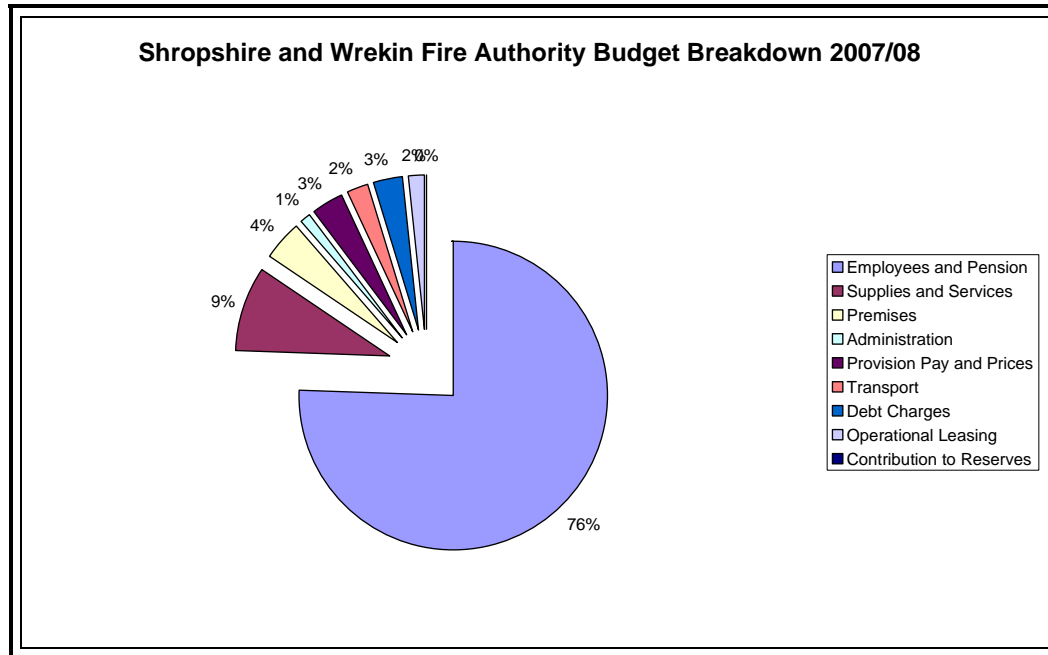
Provide a service committed to the highest levels of equality and fairness

#### **Corporate Objectives for Strategic Aim 5**

- 15 Provide a fair and equitable service to the communities of Shropshire and other stakeholders
- 16 Provide a fair, equitable and dignified place of work for all employees and visitors
- 17 Seek to employ a workforce representative of the community that we serve

## Links between Costs and Priorities

**1.18** Whilst Strategic Aim 1 has been the number one priority of SWFA for many years, clearly the provision of a fire and rescue service to meet the needs of Strategic Aim 2, dealing with fires and other emergencies when they occur, remains by far the largest cost driver for any FRA. This is demonstrated clearly in the following charts, which provide a breakdown of the overall SWFA budget and a further breakdown of employee costs. The first chart shows clearly how three quarters of the Fire Authority's budget is spent on employees; the second then demonstrates how 85% of employee costs are related to frontline staff, i.e. wholetime firefighters 63%, retained firefighters 18% and control room staff 4%:



## Links between Priorities and Performance Improvement

- 1.19** Under the latest developments of Comprehensive Performance Assessment (CPA) the Audit Commission, through their 'fire and rescue service performance framework 2006/07', brought together a range of Best Value Performance Indicators (PIs) covering the full range of services provided by FRAs, which they used to measure outcomes rather than inputs or processes. The Audit Commission took measures to minimise the impact of volatility between various years; adjusted the PI outcomes to take account of deprivation; and set upper and lower thresholds for performance in order to be able to score FRAs against their achievements.
- 1.20** The PIs formed an important part of the overall performance assessment and the results achieved by SWFA show that the Fire Authority is in an extremely strong position compared to other FRAs with regard to actually delivering against its key priorities:

### SWFA Performance against Audit Commission Key Performance Indicators

Ref	Description of PI	Source	Audit Lower Threshold	Audit Upper Threshold	SWFA Outcome	SWFA Position
F1	Primary fires per 10,000 population	BVPI 142 (ii)	15.2	7.5	7.54 (following deprivation adjustment)	Mid Table
F2	Accidental dwelling fires per 10,000 dwellings	BVPI 142 (iii)	9.9	5.2	6.44 (following deprivation adjustment)	Mid Table
F3	Deaths arising from accidental dwelling fires per 100,000 population	BVPI 143 (i)	0.625	0.5	0.49	<b>Upper Table</b>
F4	Injuries arising from accidental dwelling fires per 100,000 population	BVPI 143 (ii)	6.0	2.0	-0.51 (following deprivation adjustment)	<b>Upper Table</b>
F5	Percentage of accidental dwelling fires contained to room of origin	BVPI 144	89.60%	91.30%	90.85%	Mid Table
F6	False alarms caused by automatic fire detection attended per 1,000 non-domestic properties	BVPI 149	150.9	112.2	86.8	<b>Upper Table</b>
F7	Number of deliberate primary fires (including vehicles) per 10,000 population	BVPI 206 (i) and (ii)	No change from 2004/05 to 2005/06	7.5% reduction from 2001/02 to 2005/06	44% reduction from 2001/02 to 2005/06	<b>Upper Table</b>

- 1.21** The wider performance framework consisted of three elements as follows:
- (i) A **use of resources assessment**. This assessed the Fire Authority across a broad range of financial issues and provided a scored assessment including whether the Fire Authority is providing value for money.
  - (ii) An assessment of improvement, or deterioration, in performance measured through a **scored direction of travel assessment**. The assessment was outcome focused and drew together all assessments on the FRA.
  - (iii) A **scored service assessment**, which had an emphasis on service delivery and, as well as the PIs described above, included an operational assessment of the quality of service delivery.

**1.22** The Audit Commission have published scored judgements for all 47 English FRAs. A copy of the Commission's National Report is available at:

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

The judgements contained within the national report provide a statement of performance in four areas (see table below). Scrutiny of the assessment results, combined with the previous CPA score, provide the following summary *scorecard* results for SWFA:

**2006/07 SWFA Scorecard**

<b>FRA Performance Framework 2006/07 SCORECARD</b>	
<b>CPA 2005 Score:</b>	Excellent
	✓ <b>Good</b>
	Fair
	Weak
	Poor
<b>Use of Resources:</b>	4 - Performing Strongly
	✓ <b>3 – Performing well</b>
	2 – Adequate performance
	1 - Inadequate performance
<b>Direction of Travel:</b>	Improving strongly
	✓ <b>Improving well</b>
	Improving adequately
	Not improving adequately or Not improving
<b>Service Assessment:</b>	✓ <b>4 - Performing Strongly</b>
	3 – Performing well
	2 – Adequate performance
	1 - Inadequate performance

**1.23** Analysis of the Fire Authority's performance compared with that of other FRAs, at a national and regional level, has been undertaken to determine relative positioning. It was not possible at the time of publication of this Plan to determine an accurate *overall* league position as the performance assessment framework comprises of four independent areas of audit (*each with its own separate scoring metrics*) that cannot be combined to present an overall score. Furthermore, at the time of analysis it was noted that the *Direction of Travel* results for fourteen FRAs were under review and,

therefore, unpublished. Notwithstanding the above, however, the table below provides a summary overview of the spread of scores for FRAs across four areas of the Scorecard.

**Table 1 – 2006/07 Summary Scorecard of all Results**

FRA Performance Framework 2006/07 SCORECARD		Spread of Scores Nationally	Spread of Scores Regionally	SWFA Position
CPA 2005 Score	Excellent	2		
	Good	20	5	✓
	Fair	18		
	Weak	5		
	Poor	2		
Use of Resources	4 - Performing Strongly	3		
	3 – Performing well	37	3	✓
	2 – Adequate performance	6	1	
	1 - Inadequate performance	0		
	<i>Under Review</i>	1	1	
Direction of Travel	Improving strongly	1		
	Improving well	22	3	✓
	Improving adequately	10	1	
	Not improving	0		
	<i>Under Review</i>	14	1	
Service Assessment	4 - Performing Strongly	13	3	✓
	3 – Performing well	18	1	
	2 – Adequate performance	14	1	
	1 - Inadequate performance	0		
	<i>Exempted FRAs</i>	2		

**1.24** What can be deduced from the above table is that out of 47 English FRAs:

- For Comprehensive Performance Assessment only two FRAs scored above SWFA.
- For Use of Resources only three FRAs scored above SWFA.
- For Direction of Travel only one FRA scored above SWFA.
- For Service Assessment SWFA, together with twelve other FRAs, achieved the maximum score.
- Within the West Midlands region, SWFA has consistently achieved the best performance, together with other FRAs, where applicable.

**1.25** These results present a very positive *picture* of the Fire Authority's performance, performance that has been presented by the Audit Commission as only one of four case studies set out within the Commission's National Report as follows:

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## Case study 1 – Shropshire Fire and Rescue Service

### Changing the service to meet needs

The service is performing well in priority areas and in relation to the national framework. It is consistently one of the best performing services with regard to the numbers of injuries, deaths, calls to false alarms and malicious fires. The service is focusing on its key local priorities and actively targets home fire risk assessments and community safety in rural communities. This has reduced the risk of fire in rural Shropshire. Its 'Keep warm, keep well' programme is responding to the needs of older people with initiatives to reduce deaths due to the cold and to improve community safety by fitting security devices such as door chains.

The service is providing good value for money. Its costs compare well with others and have remained below average. It has a strategy for achieving efficiencies from various activities such as the reduction in unnecessary aerial appliance cover and the use of XL cabs. It has invested an additional £824,000 in the retained service following an extensive review, resulting in improved availability of retained appliances. As a result, recruitment levels of retained firefighters are better, community safety is promoted in high-risk rural areas and fire cover has improved.

The service has plans for further modernisation. Plans are SMART;<sup>1</sup> clearly linked to budgets; integrated with each other; cover the medium to long term; and support the vision and aims of the FRA. The service has improved its capacity to deliver changes by restructuring. Plans are more reflective of community needs and the service has invested in partnership work to improve its capacity.

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## **The Costs of Further Improvements**

**1.26** In order to progress even further the modernisation agenda and, more importantly, to continue to improve the safety of the public of Shropshire and Telford and Wrekin, SWFA has identified three ongoing initiatives, which will make demands upon the finances of the Fire Authority in the medium to long term. These are related primarily to the first two strategic aims of SWFA and are also very much interrelated. These initiatives and the financial implications are described briefly as follows:

### **a) Improving smoke alarm ownership**

Almost 60% of the population of Shropshire live within the urban areas of Shrewsbury or Telford, which are served by SWFA's five wholetime fire appliances, (two at Shrewsbury, two at Telford and one at Wellington). Since 1998 wholetime firefighters have been heavily involved in CFS activities and, as such, have been responsible for the dramatic improvements demonstrated above with regard to reductions in accidental dwelling fires and associated deaths and injuries. In the more rural parts of Shropshire covered by retained personnel, however, the advancement of CFS has not been so rapid or indeed productive.

Through the use of the Fire Service Emergency Cover (FSEC) software provided by the Office of the Deputy Prime Minister for the purpose of Integrated Risk Management Planning, it more recently became possible to identify the level of risk of accidental fire for all dwellings in the County. As a result, during 2005/06, SWFA made available funding for retained firefighters to commence CFS (and in particular the fitting of free smoke detectors) in all areas of the County. This initiative proved to be extremely successful, with over 10,000 homes visited and 3,500 smoke alarms fitted by retained personnel in 2005/06. As a result, SWFA made an ongoing commitment to funding retained CFS work and during 2006/07 almost 26,000 more homes were visited and over 11,000 smoke alarms installed.

### **b) Ensuring all fire appliances are available**

With 23 out of SWFA's 28 fire appliances crewed by retained personnel, the Fire Authority has not been immune to the problems of recruitment and retention of sufficient personnel to crew the appliances, as highlighted in a national report published in February 2005. Although SWFA's shortfall of approximately 8% of retained firefighters was well below the figure of 20% nationally, it still meant that in the past up to seven fire appliances could be unavailable or 'off the run' at any one time. This was a situation which was, of course, totally unacceptable with regard to meeting the Fire Authority's strategic aim to 'protect life, property and the environment from fire and other emergencies'.

As such, SWFA carried out a Best Value Review (BVR) of the Retained Service during 2005. The Review identified the need for very substantial investment in the Retained Service and, as described in last year's MTFP, SWFA made a commitment to this investment, which has had a significant impact upon the budgets and finances of the Fire Authority in the medium and longer term. The investment amounted to £824,000 during 2006-07, rising to £1.108 million by 2009-10, i.e. an increase of over 6% on SWFA's budget for 2005-06.

This investment has already started to pay dividends, however, and by the end of 2006-07 appliance availability has increased dramatically, recruitment and retention are at their best levels for many years, Retained CFS is having a huge impact in rural Shropshire, and officers are being asked to share the 'best practice' approach of SWFA across all parts of the UK.

**c) Ensuring all fire appliances are located to match risk**

Under the old national standards of fire cover applicable until September 2004, fire cover (and hence fire appliances) were located to provide protection for buildings. Thus, within Shropshire, two wholetime appliances are currently located adjacent to the town centre of Shrewsbury and a further two are in the vicinity of Telford Shopping Centre. It has more recently, of course, been recognised nationally that the major risk to life from fire occurs in the home. As such, FRAs have been required for a number of years to implement their own Integrated Risk Management Plans (IRMP), which must seek to ensure that resources are actually matched to risk.

Through their IRMP, SWFA has set attendance standards for fires and road traffic collisions; these standards have already provided strong evidence of the need to re-locate one of the Fire Authority's wholetime appliances in Telford to provide the best match possible to actual risk. SWFA has agreed funding, and work is underway to re-locate one of the Service's wholetime appliances from its current base at Telford Central to Tweedale in order to provide a much improved standard of service in the south of Telford. By utilising an existing Retained station at Tweedale the costs of this service improvement have been kept to a minimum. This may not be the case for further required improvements, however, and, as such, provision has been built into the 10 year Capital Investment Plan, as described in Section 5 of this Plan.

**Sound Financial Management and Value for Money**

**1.27** The report in July 2004 by Sir Peter Gershon on "Releasing Resources for the Frontline: Independent Review of Public Sector Efficiency" identified 2.5% efficiency savings per annum for local government. The Fire and Rescue National Framework made clear that these savings related also to FRAs. In the 2005/06 edition of the Framework, however, there was clear recognition that the costs and savings of modernisation would fall unevenly across FRAs. This view was also recognised during the Government's work on identifying changes to funding for the Fire and Rescue Service, where it was noted that those FRAs with higher numbers of wholetime staff (which does not include Shropshire) would have the greatest opportunities to force out savings.

**1.28** In the National Framework for 2006-08, however, no mention is made of differing abilities to force out savings, and it is implied that all FRAs are expected to achieve gross efficiency savings of at least 5.67% of their 2004-05 expenditure by 2007-08. SWFA has a policy of maximising cashable efficiencies and has an aim of delivering its share of the national Fire Service average target, i.e. £930,000 by 2007/08. SWFA also acknowledges, however, that Authorities such as itself, with a history of driving out efficiencies and delivering best value, may find delivering efficiencies more difficult than those with a more recent history of modernisation.

- 1.29** To date cashable savings of £788,000 have been identified and the money removed and reallocated within the budget. The Fire Authority has also acknowledged that simple disaggregation of the target does not imply that such a level should or could be achieved. Conversely, if it were possible to find more efficiencies, this would be done. The Fire Authority has, therefore, established a policy of looking to maximise efficiencies in order to achieve best value and give opportunities to invest any savings in priority service objectives. In addition, we shall be identifying other savings where we have increased quality or quantity of services within the same budget. Although the targets for efficiencies from 2008/09 onward are not yet known, it is considered that the present approach will stand the Fire Authority in good stead. Any target will, no doubt, be taken into account by the Government in setting its level of grants for the service. Efficient delivery of best value service will, therefore, be an important aspect of minimising the risk of unacceptable levels of Council Tax increases or even possible capping.
- 1.30** In recent years, the financial status of SWFA has improved on all fronts. The Fire Authority has now been self precepting for four years and, although difficulties were experienced initially, reserves and balances have increased to a robust level consistent with our external auditors' guidance.
- 1.31** The continuation of this commitment to sound financial governance allows SWFA to take rational decisions around Prudential Borrowing in the context of affordability and sustainability. The proposals contained in this Plan include financial provision for part of the costs relating to the capital programme for 2007-08 to 2009-10, which will actually not fall to be paid until later years. This will ensure that current and future council taxpayers share the cost of vital investments, from which both groups will benefit, and that these costs are sustainable based on current financial forecasts.

## **Risk Management**

- 1.32** The proposals contained in this Plan are underpinned by a comprehensive appraisal of strategic and operational risks. Corporate and departmental risk registers are maintained and regularly updated. In this way risk management is treated as an integral part of our planning and managing processes, rather than as a separate annual event. An assessment of financial risks associated with the 2007-08 budget is included within Section 7 of this Plan.

## **Customer Care**

- 1.33** SWFA exists to serve the interests of the people of Shropshire, and this must always be its central focus. The importance of this focus is reinforced by our Customer Charter, which sets out our service delivery approach and commitment to customers, their rights and responsibilities, and how they can expect any complaint they may need to make to be dealt with. The Charter is the public expression of our commitment to the public we exist to serve and it sets out in clear language:

- What we do
- Our delivery approach
- Contact details
- Our promises/customer care standards
- Information on how complaints will be dealt with
- Details on how to make a request under the Freedom of Information Act
- Information on our commitment to Equality and Fairness

## **Workforce Development and Working in Partnership**

- 1.34** Staff are an organisation's most important resource, and excellent services cannot be delivered without committed people, who are fulfilled by their work. Leadership and management are about empowering every individual to make the fullest possible contribution to the delivery of frontline services, whether directly or indirectly. The most pleasing outcome of the CPA process in 2005 for the Fire Authority was the following comment made within the Audit Commission's national report:

*“Good authorities, including Shropshire and Wrekin, Warwickshire and Gloucestershire employ some of the smallest workforces nationally but make the most of their enthusiastic and motivated staff. Furthermore, they are able to recognise their capacity weaknesses and build on their strengths. An example being their ability to prioritise and bring extra capacity through partnership (Page 35, Paragraph 80).”*

## **Bringing It Together**

- 1.35** SWFA policies are developed and implemented on a thematic basis covering prevention, protection and intervention. Moreover, the themes are themselves interdependent, knitting together as a coherent corporate strategy. But most importantly, it is the policies which drive the allocation of resources on a rationally planned, medium term basis.
- 1.36** The Fire Authority's search for continual improvement in cost effectiveness will be unremitting. The economies of previous years are built upon, with £788,000 of firmly quantified revenue savings included in the proposals for 2007-08, and further efficiencies being sought to bring the total up to the disaggregated national target of £930,000.
- 1.37** This Medium Term Plan describes how policies emanate from the community, inform strategic plans and operational plans, and facilitate effective service delivery to the public of Shropshire and Telford and Wrekin by individuals and teams.

# **Section 2**

## **National Context**

## Introduction

- 2.1** SWFA's financial and service planning must take place within the context of the national economic and public expenditure plans for the Fire and Rescue Service. This part of the Medium Term Financial Plan looks at the recent history of Fire and Rescue Service funding, and discusses the broad assumptions within which the budget and Medium Term Financial Plan will be framed. This Section also provides detail on the Government's most recent position with regards to financing, as detailed in the Fire and Rescue National Framework 2006-08. Finally, this Section would not be complete without considering the very real difficulties facing SWFA due to the uncertainties of future funding. At the time of writing this Plan, for example, the outcomes of the Government's Comprehensive Spending Review 2007 have been delayed until October 2007 at the earliest. Funding of the Service beyond even the current year is, therefore, based upon many unknowns and uncertainties!

## Background

### The Bain Review (2002)

- 2.2** In December 2002, the results of an Independent Review of the Fire Service conducted by Professor Sir George Bain were published, with the aim of making recommendations on the future organisation and management of the Fire and Rescue Service (FRS).
- 2.3** The Review found that major changes were required across the Fire Service; including the need for a new approach to the way the FRS was organised and managed; that the work of the Service should be based more around risk management and prevention; that new reward systems and structures were required; and that the distinction between 'full-time' and 'retained' staff should be abandoned.
- 2.4** Furthermore, Sir George identified that the governance of the Service needed restructuring so that policy would be laid down clearly by ministers, and institutions would be in place to deliver the policy agenda effectively at local level. He identified that, if the challenge of these recommendations was accepted, FRS personnel would have the chance to move to a new system that encouraged them to develop their personal skills and would make their jobs more satisfying, with increased rewards.
- 2.5** Although the terms of reference did not include a need to examine the financing of the Fire and Rescue Service, Sir George did identify that *"Brigades working on fire prevention have been hampered by another 'perverse' incentive. Until the local government finance settlement announced on 5 December this year, only a miniscule element of the Standard Spending Assessment (SSA) formula was linked to fire safety in any form. So there is no encouragement to invest in fire safety; quite the reverse, since fire authorities got no extra money for reducing fires."* As long-term performance information indicates clearly, this 'perverse' incentive has never prevented SWFA from investing in preventative work since its inception in 1998.

### Our Fire and Rescue Service (White Paper) 2003

- 2.6** The White Paper *Our Fire and Rescue Service* presented to Parliament in June 2003, responded to the Independent Review of the Fire Service by Professor Sir George Bain and set out the Government's vision for the Fire and Rescue Service in England and Wales and the strategy for achieving that vision. It highlighted a Fire

Service that could be proud of what it had achieved in the past, but that needed to extend its role in the future in order to serve even better the communities it is there to protect.

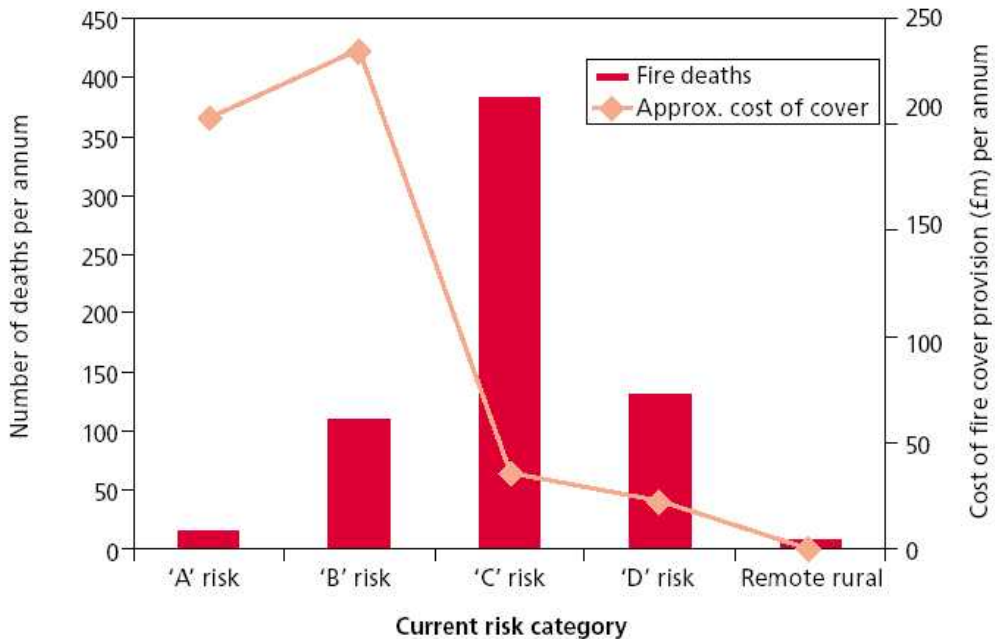
The White Paper identified that the Fire and Rescue Service had been hampered by:

- An outdated legislative framework;
- An outdated structure;
- Weak institutional support;
- An insufficient focus on risk prevention; and
- Poor human resources systems.

**2.7** The White Paper also highlighted that total Government expenditure on the Fire and Rescue Service had increased from £1,237 million in 1997-98 to £1,583 million in 2003-04. More importantly, that resources were not always allocated on the basis of need, exemplified in the White Paper as follows:

*“For example, as Figure 3 shows, at present we devote many more resources to protecting buildings in city centres (where deaths are low) compared to what we devote to residential areas (where deaths are much higher). Response standards and the way resources are organised should vary in accordance with those different levels of risk. At the moment, they do not. This must change.”*

**Figure 3: Current allocation of resources to risk**



A risk = normally in the largest cities and towns, and including main shopping, business, entertainment or industrial centres

B risk = normally in the larger cities and towns

C risk = normally in the suburbs of the larger towns and in the built-up areas of smaller towns

D risk = all risks other than remote rural

Source: ODPM

- 2.8 Within Shropshire, under the standards of fire cover referred to above, Shrewsbury, Telford and the centres of the larger market towns were classified as 'C' risk, and the remainder of Shropshire (with the exception of small pockets of remote rural risk) was classified as 'D' risk. The White Paper, therefore, confirmed a long-held belief that SWFA had been under-funded for many years.

### **The Fire and Rescue Service Act 2004**

- 2.9 The Fire and Rescue Services Act 2004 ('the Act') received Royal Assent on 22 July. It replaced the Fire Services Act 1947 with a new legislative framework to ensure the Fire and Rescue Service was better able to meet the particular challenges of the 21st Century.
- 2.10 The Act put prevention at the heart of what the Fire and Rescue Service does, for example by creating a new duty for all fire and rescue authorities to promote fire safety, and other powers to help create safer communities, particularly for the most vulnerable in society. The Act also formally recognised the broader role the Service has taken on over the last 50 years, beyond its traditional firefighting role. This includes rescue from road traffic accidents as well as responding to other serious incidents, such as major flooding and the new terrorist threat. The Act provided fire and rescue authorities with clear authority to equip and respond to specific local risks and the particular needs of their communities as identified, for example, in their Integrated Risk Management Plan. This could include co-responder schemes or other specialist activities, such as rope rescue or dealing with heath and moorland fires.
- 2.11 The Act also made provision to place the 'Fire and Rescue National Framework' on a statutory footing, providing national and strategic guidance and support to the Service for the first time.

### **The Fire and Rescue National Framework 2004-05**

- 2.12 Within the very first Fire and Rescue National Framework, the Government identified that the changes under the modernisation programme and the associated agreement on pay and terms and conditions for firefighters would have significant financial ramifications. There would be increased costs to fund the pay award and potentially some aspects of the modernisation agenda, for example the increased emphasis on prevention. Substantial savings were also identified, however, as being available, for example through better targeting of resources to match risks, and through regional collaboration. Overall, the Government believed that the costs and savings of these changes should balance across the Spending Review 2002 (SR02) period (2003/04 to 2005/06).

### **Distribution**

- 2.13 Due to proposed changes to pensions finance arrangements also identified within the Framework, the Government recognised the need for change to the Fire Formula Spending Share, as the existing system, which included an element predicated on forecast pensions outgo costs, could no longer be fair. In addition, **the Government also recognised that the costs and savings of modernisation could fall unevenly across fire and rescue authorities.** The Government, therefore, asked a working group of officials, including the Local Government Association (LGA) and representatives from fire and rescue authorities, to examine the **case for change and possible alternatives to the existing Fire Formula Spending Share that**

**might better reflect fire and rescue authorities' needs.** The Government indicated that they would consider proposals for changes to the Formula in the light of the working group's conclusions and that any changes to the Formula would come into effect for 2005/06 at the earliest.

### **Combined Fire and Rescue Authorities**

- 2.14** Finally, the Government also recognised that Combined Fire Authorities' (CFAs) change to major precepting status means holding reserves for the first time by adjusting the alternative notional amounts used for capping purposes by 3%.

### **The Fire and Rescue National Framework 2005-06**

#### **Revenue Support**

- 2.15** The second Fire and Rescue National Framework identified that, according to the provisional 2005/06 local government settlement, fire and rescue authorities would receive an average increase in grant of 3.7% and no authority would receive less than a 2.5% increase in 2005/06. In referring to Sir Peter Gershon's efficiency review that formed part of Spending Review 2004 (SR04), the Government identified within the National Framework that fire and rescue authorities had a part to play in helping local government to meet that target. The Office of the Deputy Prime Minister had assumed within its own efficiency target that English fire and rescue authorities together would achieve £105 million gross efficiency savings in 2007/08, compared to the position in 2004/05. This would amount to a gross efficiency saving in 2007/08 equivalent to around 5% of total 2004/05 expenditure.

#### **Council Tax**

- 2.16** The National Framework included a reminder that capping powers were exercised against five fire and rescue authorities in 2004/05. One authority was capped in-year and four were set notional 2004/05 budget requirements, which were lower than the actual budget requirements. The Government made clear that they expected to see significantly lower council tax increases in 2005/06, and that they expected average council tax increases in England in 2005/06 to be less than 5%; including for fire and rescue authorities.

#### **Distribution**

- 2.17** Within the 2005-06 Framework, the Government again recognised that proposed changes to pensions finance arrangements could entail a change to the Fire Formula Spending Share. Furthermore, it **again recognised that the costs and savings of modernisation could fall unevenly across fire and rescue authorities.** In contrast to the 2004-05 Framework, however, the Government confirmed that any changes proposed by the funding working group would come into effect for 2006/07.

## Local Government Finance Settlement 2006/07 and 2007/08

### Fire Formula Working Group

**2.18** In accordance with the National Framework 2005-06, the Government established a Fire Formula Working Group to look at the case for change and possible alternatives to the existing Fire Formula Spending Share. The Group consisted of officials from the ODPM, LGA, FRAs and the Chief Fire Officers Association (CFOA). In accordance with the express wishes of Members of SWFA, the Chief Fire Officer attended these meetings to highlight the problems experienced by FRAs with a large retained workforce. The Working Group held three meetings on 16 April 2005, 24 May 2005 and 14 June 2005, details of which can be found on the ODPM website at:

<http://www.local.odpm.gov.uk/finance/0607/grant.htm#fire>

**2.19** As a consequence of these meetings the Government, in late June 2005, issued a consultation paper on the Formula Grant Distribution for 2006-07. The consultation covered potential alternative grant systems; Formula Spending Share (FSS) formula changes (including fire), capital finance and the Area Cost Adjustment; and grant formula changes affecting resource equalisation and floor damping. The proposed changes to the fire FSS can be summarised as follows:

- The removal of an element for 'A' risk under the old standards of fire cover, to be replaced by an element based upon the number of 'Control of Major Accident Hazards' (COMAH) sites within an FRA's area
- Changes to the population measures for at risk population in need of fire safety education; including an element for the over 65s
- An increase in the weighting of the fire safety education factor from 3% to 6%
- The replacement of certifiable premises and plans examined with a measure of property and societal risk
- The introduction of a five-year moving average of property types at risk to avoid fluctuation from year to year
- The introduction of the new survey of English housing types to reflect risk better, i.e. single parents and pensioners, council terraces, old people, many high-rise flats, together with average number of people per room
- The introduction of a fixed element for sparsity judged as a 1% population top-up

**2.20** In responding to the consultation, SWFA highlighted that the element on sparsity was essential, if resources were to be made available for investment in the Retained Service. The Fire Authority also pointed out that the Retained Service is extremely cost-effective (crewing costs for a retained appliance being approximately 12.5% of those for a wholetime appliance) compared to other alternatives, as acknowledged by the ODPM's own review, and that in a capped environment a judgemental change was required.

## Settlement 2006/07 and 2007/08

- 2.21** The provisional two-year settlement announced on 5 December 2005 confirmed changes to the Fire Formula Spending Share to take into account the move to three-year settlements, new financial arrangements for firefighters' pensions, changes to indicators caused by the elimination of national standards of fire cover and changes to fire safety law. Changes were also made to the Formula to recognise the increasing role of community fire safety work in FRAs by increasing the fixed percentage element from 3% to 6%. The indicator used to distribute this was also updated and widened to include the population of those over 65.
- 2.22** Most notably for SWFA, however, the proposed introduction of a fixed element for sparsity was not included, and this was given specific reference in the consultation response of SWFA, included in Section 3 of this Plan.

## Settlement 2006/07

- 2.23** Other elements included within the provisional settlement, however, did ensure that for 2006/07 SWFA received a much better than normal settlement, as demonstrated in the following table:

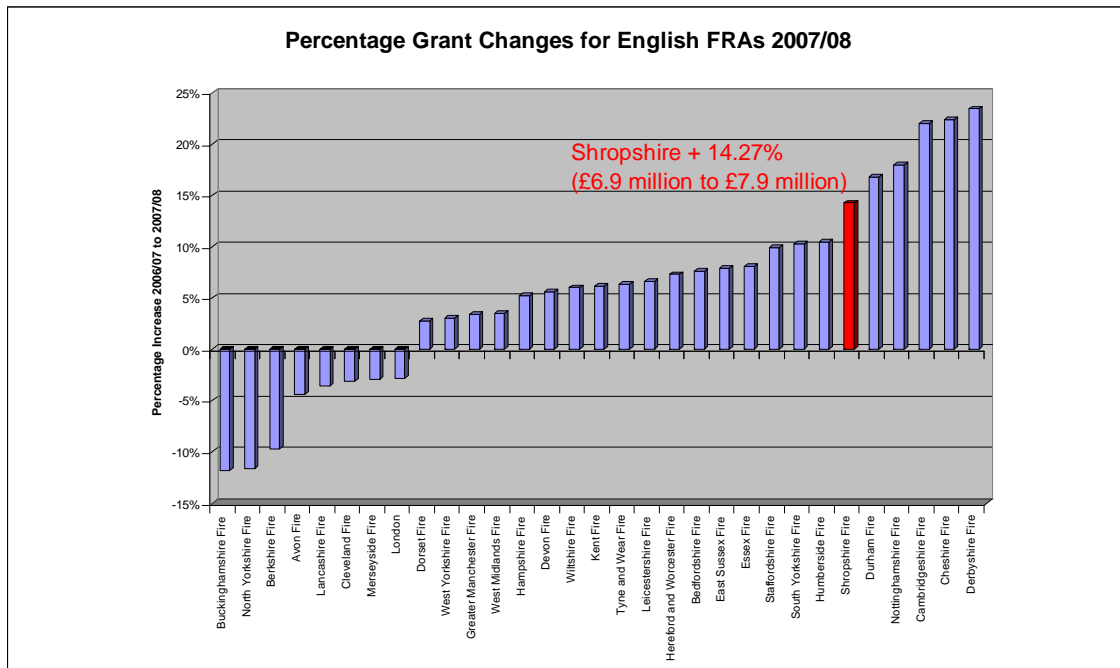
	Grant	% change over 2005/06
Grant 2005/06 (adjusted to take account of changes to pension financing)	£6,522,000	
Grant 2006/07	£7,710,000	18.2
Grant after flooring	£6,936,000	5.9
Grant after previous years adjustments	£6,766,000	3.3

- 2.24** The table shows that for 2006/07 SWFA received an 18.2% increase in grant prior to the impact of flooring and previous years' adjustments. Unfortunately for the council tax payers of Shropshire, however, these impacts were very substantial, as shown in the table and described in greater detail below!
- 2.25** Although the floor for FRAs in 2005/06 was the lowest of all authorities at 1.5%, the fact that the largest of all FRAs, London, was approximately 5% below that floor, had a major impact upon the grant changes of all other FRAs. London's grant had to be increased by over £14 million to reach the minimum increase of 1.5% and this proved very expensive for SWFA, who saw its own grant fall by £774,000, thereby increasing by only the 5.9% shown in the table above.
- 2.26** Unfortunately for SWFA and for the council tax payers of Shropshire, this was not the end of the bad news. SWFA also lost a further substantial amount of grant for 2006/07 due to previous years' adjustments. These amounted to £104,000 for 2004-05 and a further £66,000 for 2005-06 and resulted in the actual grant increase received by the Fire Authority totalling only 3.3%. Thus the grant settlement, which had been substantially amended to recognise the actual needs of FRAs, had gone from one of very good news for the people of Shropshire and Telford and Wrekin to an increase barely above inflation.

## Settlement 2007/08

**2.27** As anticipated by the Fire Authority, the effects of flooring have continued to have a serious impact upon the funding levels of the Service into 2007/08 and are described below:

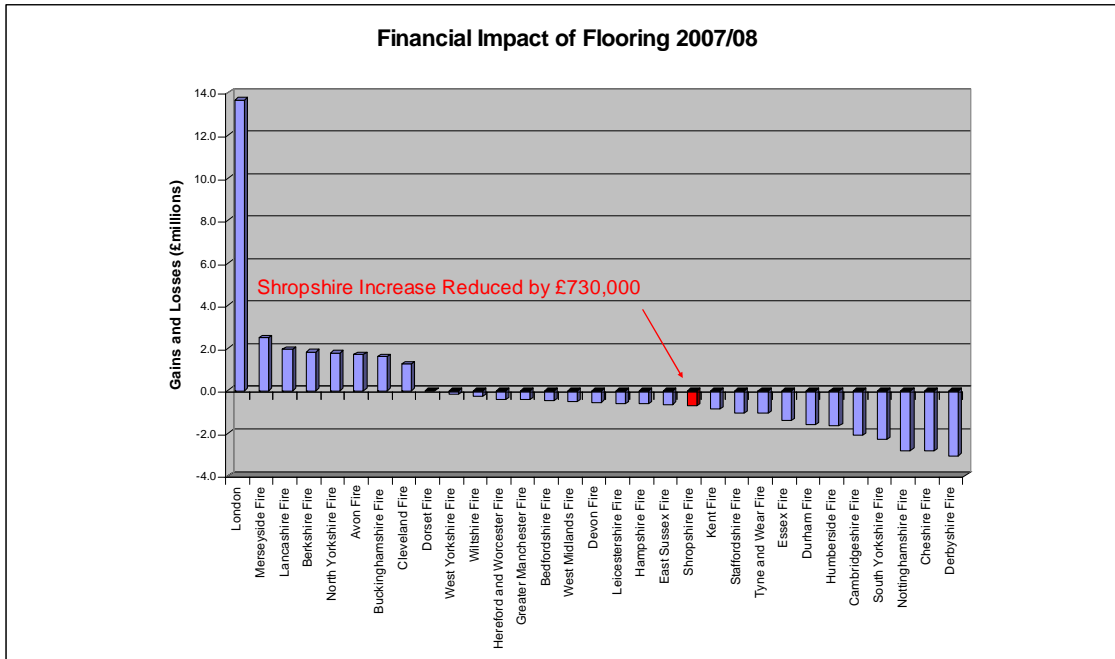
**2.28** The changes to the Fire Formula Spending Share announced in December 2005, mean that the previous under-funding of SWFA is now well recognised. The grant settlement for 2007/08, therefore, continues to attempt to address this issue and SWFA's grant increase should have been from £6.9 million to £7.9 million, an increase of over 14% as shown in the following chart.



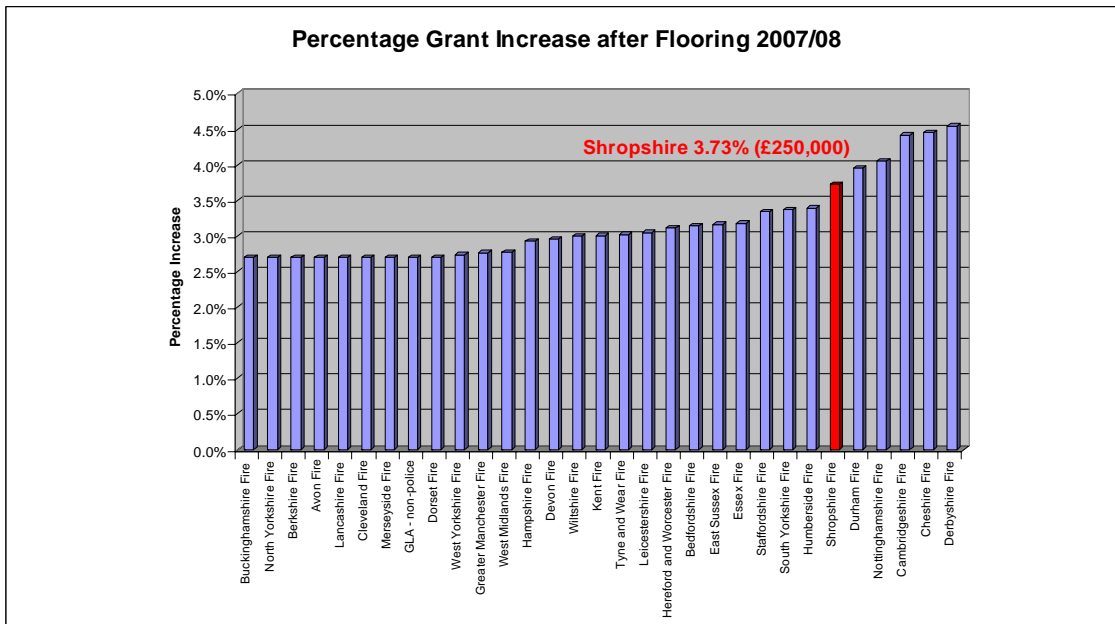
**2.29** The levels for floors for 2007/08 for different types of authority, however, are shown in the table below.

Type of Authority	2007/08 Floor
Education/social services authorities	2.7%
Police authorities	3.6%
Fire authorities	2.7%
Shire districts	2.7%

**2.30** For FRAs, as was the case in 2006/07, the fact that London (the largest of all FRAs) is approximately 3% below that floor, has again had a major impact upon the grant changes of all other FRAs. As demonstrated in the chart on the following page, London's grant had to be increased by over £13.5 million to reach the minimum increase of 2.7% and this has proved to be very expensive for FRAs, such as SWFA:



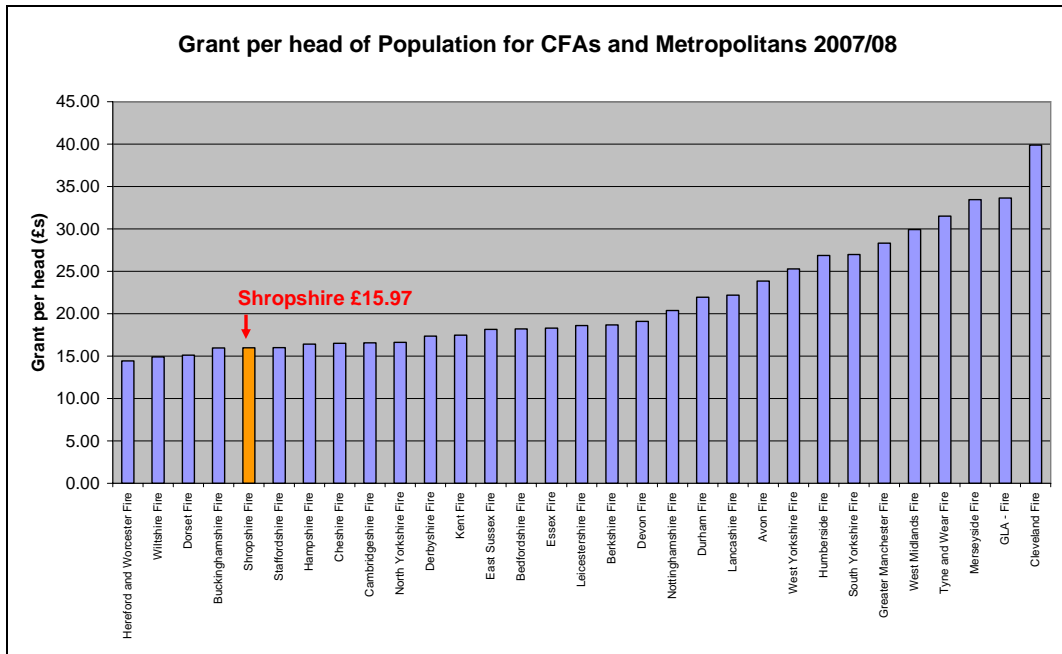
**2.31** As shown in the chart above, SWFA's grant increase was reduced by flooring by over £700,000, meaning that the final increase in grant for 2007/08 was approximately £250,000 (3.7%), as shown below:



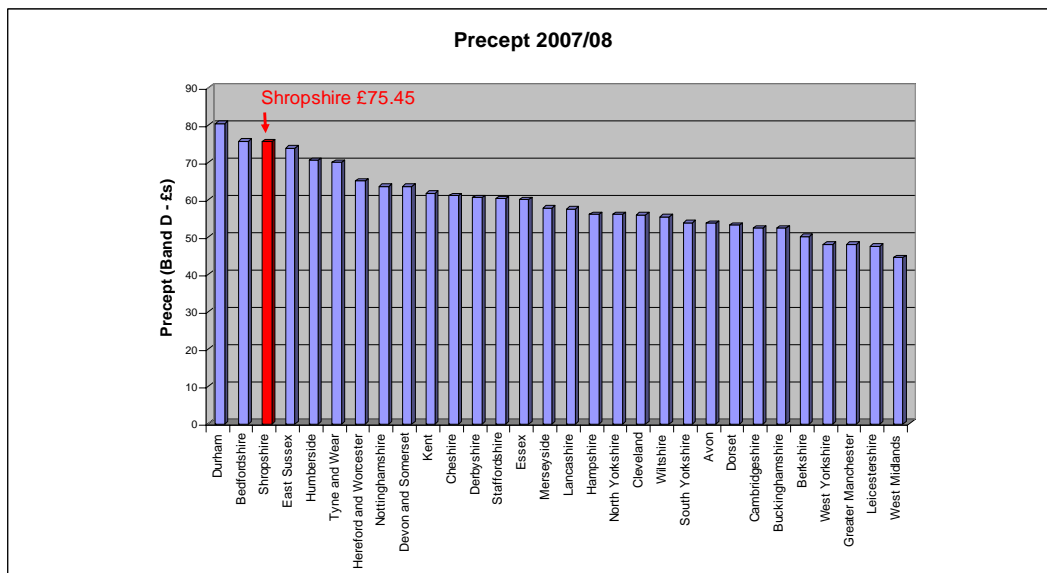
**2.32** As was the case in 2006/07, therefore, SWFA is required during 2007/08 once again to provide a Fire and Rescue Service for Shropshire on very substantially lower levels of central funding than have been identified as appropriate by the Government's own Fire Formula Spending Share. The impact of this funding is discussed in more detail below.

## The Overall Effect of the Settlement 2007/08 on SWFA

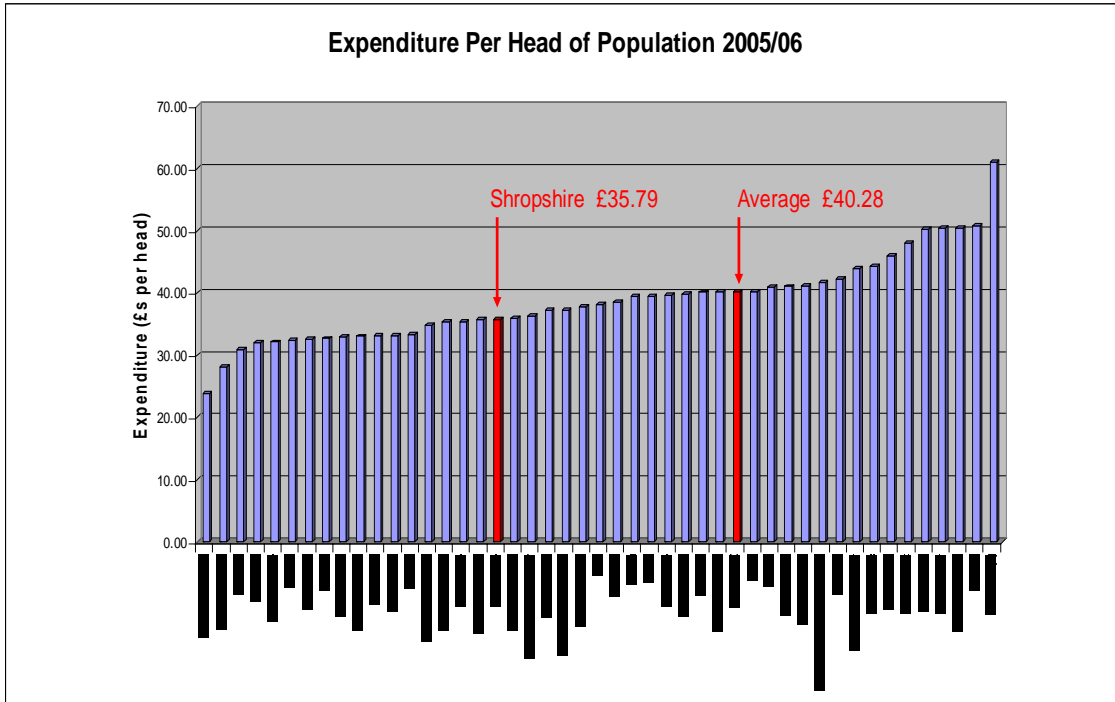
**2.33** As demonstrated by the chart below, the overall effect of the 2007/08 settlement (after flooring) is that SWFA continues to receive one of the very lowest grants per head of population of any FRA (£15.97 as opposed to an average of £24.32 and a maximum in Cleveland of just under £40); this despite the now well-recognised difficulties of providing a fire and rescue service in a large, mainly rural area, employing a majority of retained firefighters.



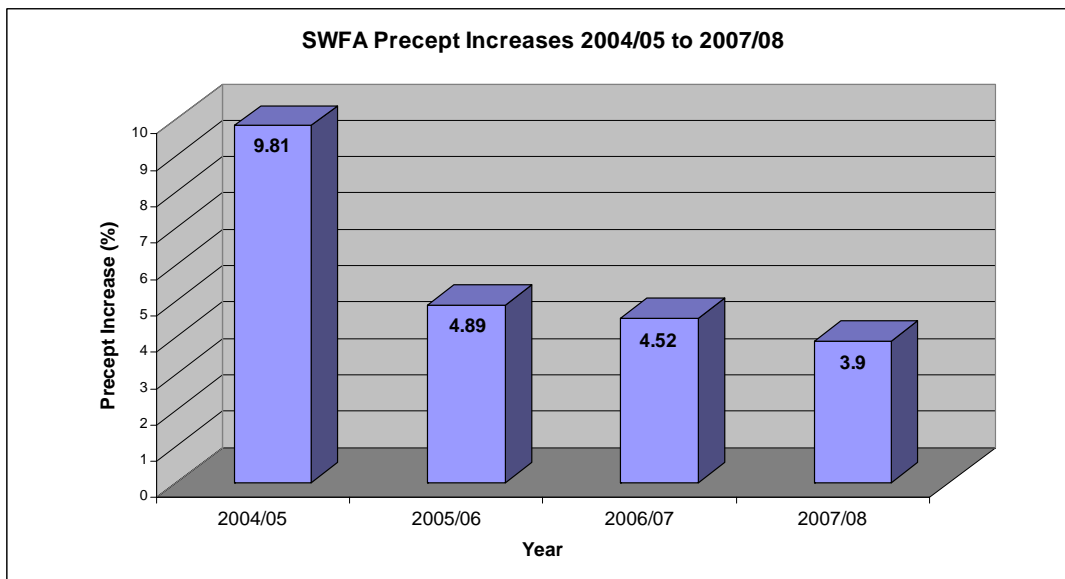
**2.34** This, of course, means that the financial burden of funding the Service falls disproportionately upon the council tax payers of Shropshire and Telford and Wrekin. This is clearly demonstrated in the following chart showing precept levels for 2007-08.



**2.35** Despite the very unfortunate impact described above of many years of under-funding of SWFA, there are also very positive indications that the Fire Authority is doing everything within its powers to provide an effective and efficient service for the public of Shropshire and to continue to reduce the costs to local taxpayers. This is shown in the following charts:



The above chart shows how SWFA is 18<sup>th</sup> out of 46 English FRAs with regard to the actual expenditure per head of population on providing a fire and rescue service for its area. The following chart also demonstrates that over the last three years SWFA has maintained its commitment to reducing the tax burden upon local taxpayers by delivering a clear downward trend in precept increases:



## Fire and Rescue National Framework 2006-08

- 2.36** The first two-year version of the National Framework was published on 6 April 2006; this clarified the Government's position with regard to national funding of the FRS as follows:

### Revenue Support

- 2.37** The Government confirmed that in the Local Government Settlement for 2006/07 and 2007/08 fire and rescue authorities received average grant increases of 1.96% in 2006/7 and 3.14% in 2007/8 and no authority received less than 1.5% in 2006/7 and 2.7% in 2007/8. The Framework specifies that:

*Fire and rescue authorities should develop fully the opportunities for efficiency improvements, including through collaboration, consistent with their duties under Best Value and the Government's objectives to reduce accidental deaths from fire in the home and deliberate fires.*

- 2.38** The Government also confirmed once more that under Sir Peter Gershon's efficiency review the ODPM has assumed within its own efficiency target that English fire and rescue authorities together will achieve £105m gross efficiency savings in 2007/08. This would amount to a gross efficiency saving equivalent to around 5.67% of total 2004/05 expenditure. This will need to be achieved by the end of financial year 2007/08. The Framework requires that:

*All English fire and rescue authorities should report their efficiency gains through Annual Efficiency Statements (AES) as described in Fire Service Circular 48/2005.*

- 2.39** The Framework notes that a lot of activity is already taking place in fire and rescue authorities aimed at increasing efficiency, some of it pre-dating the efficiency target. This is in areas, such as shift patterns, crewing arrangements, appropriate use of overtime, reducing sickness and other absences, minimising ill-health retirements, collaboration, partnerships, procurement, risk management, driving down false automatic fire alarm activation, better use of retained firefighters, civilianisation and capital investment. The Government recognises that different fire and rescue authorities face different challenges and have adopted a wide variety of approaches to achieving efficiency in these and other areas. The ODPM joined forces with CFOA and the LGA in bringing together notable practice from across the Service into case studies for dissemination to all fire and rescue authorities. The intended purpose of making these case studies widely available was to ensure that all fire and rescue authorities knew how other fire and rescue authorities were approaching achieving efficiency gains. The Framework requires that:

*Fire and rescue authorities should consider actively for themselves whether any of the approaches identified in the case studies guidance will assist them in delivering greater efficiencies.*

- 2.40** An assessment of each of the case studies provided to date against the position of Shropshire Fire and Rescue Service (SFRS) was reported to the Fire Authority's Strategy and Resources Committee in May 2006 and the full Fire Authority in June 2006. A number of the case studies were identified as worthy of further consideration and have now been investigated fully by officers.

## **Transitional Funding**

- 2.41** In recognising that there may have been a lag between costs and savings of Fire and Rescue Service modernisation, the Government paid £30 million transitional funding to English and Welsh fire and rescue authorities in 2004-05. Originally the Government planned to recoup the transitional funding before the end of 2005/6 but later agreed to the LGA's request to defer this until 2006-07. Following further representations, the Government smoothed the impact of recovering this money by deferring recoupment of half (£14 million) of the transitional funding from FRAs until 2007-08, so that half would be recouped in 2006-07 and half in 2007-08. Through prudential budgeting, SWFA was in a position to be able to pay back all of the transitional funding in 2006-07 and did not, therefore, experience any difficulties in achieving full repayment in 2007-08.

## **Council Tax**

- 2.42** In common with the rest of local government, fire and rescue authorities must ensure that they do not place unreasonable burdens on their council tax payers. The Government used its reserve capping powers against fourteen authorities, including five fire and rescue authorities, in 2004/05. No fire and rescue authorities were capped in 2005/06, when the average council tax precept increase for fire and rescue authorities in England was 4.4%, with none setting increases higher than 5%.
- 2.43** The Government clarified its expectation that all fire and rescue authorities should ensure they do not set excessive increases in 2006/07 or 2007/08. The Government made clear in its general election manifesto that it would not hesitate to use its capping powers to protect council taxpayers from excessive rises in future years.

## **Three-Year Settlements**

- 2.44** In its Spending Review 2004 the Government announced that it would be introducing three-year revenue and capital settlements for local, police and fire and rescue authorities. The purpose of this change is to maximise the benefits of three-year spending plans for central government departments by cascading them down to the maximum extent possible. A consultation paper on this subject was issued by the ODPM in December 2004 with the analysis of responses issued in June 2005. The Government's proposals were issued on 19 July 2005.

## **Distribution**

- 2.45** As described above, the National Framework confirms that changes have been made to the fire and rescue formula to take into account the move to three-year settlements, new financial arrangements for firefighters' pensions, changes to indicators caused by the elimination of national standards of fire cover and changes to fire safety law. Changes have also been made to the formula to recognise the increasing role of community fire safety work in authorities by increasing the fixed percentage element from 3% to 6%. The indicator used to distribute this has also been updated and widened to include the population of those over 65. As described above and, unfortunately for SWFA, following consultation with local government, Ministers decided not to include an additional element for sparsity in light of other changes to the formula.

## **Latest Revisions to the National Framework**

**2.46** At the time of writing this Plan, the Government is carrying out limited consultation with stakeholders with regards to the issue of the next version of the Fire and Rescue National Framework. As yet, the latest version has not been circulated for general consultation and, as such, no further detail is available for inclusion within the MTFP.

## **Comprehensive Spending Review 2007**

**2.47** During 2007 the Government will produce its spending review for the three years commencing in 2008/09. This so-called Comprehensive Spending Review (CSR) is of fundamental importance to the Fire Authority, as it will determine what the level of government grant will be for the next three years.

**2.48** Government grant makes up 38% of the Fire Authority's income. If grant fails to increase then every additional 1% of expenditure will fall directly on the precept which would increase by 1.6%.

**2.49** The impact of the CSR works through in the following ways:

- The Government will decide the national total available for public spending and within that how much will be available for the Fire Service nationally.
- This will be determined by national policies on expected pay and price increases, efficiencies, any service developments or spending pressures and switches in funding responsibilities.
- The latest indications are that inflation expectations will be kept low but efficiency targets will remain high. Latest information also indicates that financial responsibility for some "New Dimensions" vehicles will pass to fire authorities and that this will be recognised for grant purposes and monies will be added on a real or notional basis.
- Although distribution mechanisms are not integral to the CSR, the general support grants for the Fire Service are distributed by a grant formula which will be amended to take into account the switch in funding of New Dimensions vehicles referred to above. There is a concern that the formula remains at least as beneficial and that floor protection funds continue to be released. Only then will the improvement in the balance between local and central funding of the service in Shropshire be maintained.
- Again, although not integral to the CSR, Government policy on capping will also be of central importance. Currently, capping is set at 5% increases in precept but this could be lowered and/or accompanied with a test of how much expenditure had risen.
- Finally, there is concern that the CSR may be released late in the budget planning cycle, i.e. the autumn, which in turn will delay the grant settlement. Whilst the subsequent certainty of a three-year settlement will aid planning in later years, 2008/09 planning will present a number of timing problems for which the Fire Authority needs to prepare.

## Summary

**2.50** With regard to national funding of the Fire and Rescue Service and the impacts upon SWFA, the main points of note can be summarised as follows:

- There has been a clear recognition by the Government that funding of the Service needs to change so as to be more focussed upon the actual reduction of risk.
- The Government has introduced changes to funding to recognise that need.
- The changes to date still do not appear to take account of the impacts of sparsity.
- The changes to date are, however, generally beneficial to SWFA.
- The effects of 'flooring' and 'previous years' adjustments' have had a huge and disproportionate affect upon the funding of SWFA.
- As a result, SWFA continues to receive one of the lowest levels of central government funding per head of population of any FRA.
- Consequently, the precept levels set by SWFA will remain amongst the highest of all FRAs.
- Despite the above, SWFA can clearly demonstrate that it provides and efficient and effective service to the public of Shropshire and that it is committed to reducing the burden on local taxpayers.
- Uncertainty over the Fire and Rescue National Framework and, more importantly, the outcomes of the Comprehensive Spending Review 2007, mean that SWFA is in a very difficult position with regard to establishing its medium and long term financial plans.

# **Section 3**

## **Overview of Revenue 2007-10**

## Introduction

- 3.1** This section of the MTFP considers the impact of the grant settlement for 2007/08 on the finances of SWFA and, in particular, upon the effects of flooring. It details the response made by SWFA to the settlement, and describes how the results of consultation and concerns about the 2008/09 settlement, have influenced the spending plans of the Fire Authority for the next three years and beyond. Finally, the way in which the revenue budget is controlled and monitored is explained and the level of reserves utilised to control risks to the Fire Authority are detailed.

## Grant Settlement

- 3.2** As described in Section 2 of this Plan, the Government's changes to the Fire Formula Spending Share provided for funds to be allocated more on the basis of the actual needs of FRAs than in previous years. The two-year settlement provided the following increases for SWFA:

Grant 2006/07	£6,766,000	+3.3 % (on adjusted base)
Grant 2007/08	£7,195,000	+3.7% (on adjusted base)

- 3.3** This was after loss of Pension Top-Up Grant and Transitional Grant (which is being recouped over two years). It was also after losing £170,000 in 2006/07 for previous years' adjustments. The figures show that additional need had been recognised, although, disappointingly for SWFA, the proposed allowance for sparsity had not been included and a significant proportion of the gain for the Fire Authority was to be lost through floor-damping. The grant settlement details and the effects of flooring are set out in the tables below.

### Build up of Formula Grant

	£000	£000
<b>2006/07 Grant</b>		
Formula Grant		6,936
2004/05 adjustment	104-	
2005/06 adjustment	66-	170-
Adjusted Grant		6,766
<b>2005/06 Grant</b>		7,219
Less 2005/06 adjustment	667-	667-
Notional adjusted grant		6,552
Increase in 2006/07 over 2005/06:		
Increase before adjustment in 2006/07		+5.9%
Increase after adjustment in 2006/07		+3.3%
<b>2007/08 Grant</b>		7,195
Increase in 2007/08 over 2006/07		
Increase before adjustment in 2006/07		+3.7%

### Effect of Floor Damping

	2006/07 £000	2007/08 £000	% Change
Relative Needs	957	999	
Relative Resources	935 -	1,009 -	
Central Allocation	7,688	7,936	
<b>Total Grant</b>	<b>7,710</b>	<b>7,926</b>	<b>+2.8</b>
Floor damping	774	731	-5.6
	<b>6,936</b>	<b>7,195</b>	<b>+3.7</b>

## Response to Grant Settlement

- 3.4** Grant increases of 3.3% and 3.7% for 2006-07 and 2007-08 respectively were seen as moving some way towards addressing the longstanding under-funding by central government of SWFA, and Members and officers were on the whole supportive of the proposed settlement. There clearly remains, however, a number of important areas where the people of Shropshire and Telford and Wrekin continue to be penalised financially through no fault of their own or of SWFA. The following response to the Government regarding the provisional settlement for 2006/07 explains the anomalies, which continue to exist with regard to funding of the fire and rescue service in general and in Shropshire in particular. In the event the final settlement for both 2006/07 and 2007/08 remained unchanged following the Fire Authority's response, except for a slight worsening of our position, which is reflected in the amended tables in paragraph 3.3 above. The comments below, therefore, remain valid for 2007/08 and onwards.

*"In response to the Revenue Support Grant Consultation Paper issued by the Secretary of State on 5 December 2005, Shropshire and Wrekin Fire Authority would wish to express general support for the settlement which, for the first time, appears to go some way towards recognising the particular needs of rural fire and rescue authorities such as our own. In particular, we note the changes to the distribution of grant from 2006/07 for fire and rescue authorities, and support the following changes, which clearly allow for a more appropriate allocation of funding based upon needs:*

*The replacement of the outdated "A" risk indicator;  
The modification of the community fire safety indicator to include a factor for population aged 65 and over;  
The doubling of the weighting of the community fire safety indicator;  
The replacement of the fire safety enforcement indicator with a property and societal risk indicator; and  
The modification of the fire risk indicator.*

*There are, however, three areas where we feel that the proposed grant allocation fails to meet the needs of our own Fire Authority, or indeed those of the council tax payers of Shropshire and Telford and Wrekin.*

### **Sparsity**

*The Fire Authority is particularly disappointed that earlier proposals for the introduction of a fixed element for sparsity have not been progressed. We note, from paper SWG/05/51 (entitled Fire FSS) of the meeting of the Settlement Working Group on 6 June 2005, that this proposal was "in relation to the modernisation agenda and a potential change in the distribution of costs between fire and rescue authorities employing largely retained firefighters and those employing fulltime firefighters".*

*Being an Authority, which maintains 28 front line fire appliances, 23 of which are crewed by retained personnel, we have argued that sparsity and the needs of retained firefighters have been ignored for many years within arrangements for funding distribution. Following publication by the ODPM last February of the findings of a review into recruitment and retention challenges within the Retained Service, we were, however, hopeful that many years of underinvestment in this important area of the Service would be addressed. We were hopeful that specific recognition of sparsity issues*

would enable investment and also give a fairer deal to Council Tax Payers. The exclusion of a factor for sparsity means that this has not been possible.

### **Floors for Grant**

Shropshire and Wrekin Fire Authority fully recognises the need for grant floors to maintain stability and predictability of grant, and recognises that a floor of 1.5% for fire and rescue authorities is the lowest of all groups of authorities. The effect of the floor upon our own Fire Authority, however, is to reduce our grant by £737,000 in 2006/07 and by £669,000 in 2007/08. These figures represent reductions of 9.5% and 8.5% respectively on our grant, and clearly have a major impact upon our ability to reduce our own precept to bring this more into line with similar authorities (NB in the event the final settlement increased the loss through flooring to £774,000 in 2006/07 and £731,000 in 2007/08, i.e. reductions of 10% and 9.2% respectively).

### **Previous Years' Amendments**

The Authority is concerned at the significant changes that take place to grant entitlement as a result of Amending Reports for earlier years. These are difficult, if not impossible, to explain to Council Tax payers and make financial planning difficult despite the efforts that government has made to introduce greater certainty for future years (In the event no prior year adjustment was made in 2007/08, although there is a concern that such adjustments may occur in future years).

### **Summary**

Shropshire and Wrekin Fire Authority recognises that an increase in grant equating to 3.6% in 2006/07 and 4.3% in 2007/08 (actually 3.3% and 3.7%) begins to tackle the problem of serious under-funding that we as an Authority have experienced for many years. It also means that, when taken together with our own considerable efficiency savings, we are able to progress proposals for substantial additional investment in the Retained Service in Shropshire (an extra £824,000 in 2006/07 equating to almost 4.5% of our current budget). Unfortunately, the omission of a factor for sparsity, the disproportionate affect of floor damping, and a wholly inexplicable loss of grant from previous years' settlements mean that the cost of this investment will inevitably fall upon the council tax payers of Shropshire in the form of a precept increase in the region of 4.5%.

### **Finally**

In response to the recently issued Fire and Rescue Service Circular 62/2005 entitled 'new financial arrangements for firefighter pensions – local government financial settlement,' whilst we recognise that these arrangements may have caused concerns for a small number of fire and rescue authorities, we would urge against any major changes to the settlement. The changes to the pension financing arrangements are wholly welcome to the Authority, given the benefits of stability, whilst still keeping responsibility for early retirements through sickness at the local level. Initial transition difficulties are therefore acceptable. As you will be aware, we are operating against particularly tight deadlines for consultation on our own budgets with the public and stakeholders. Any significant changes as result of the temporary problems of the new pension arrangements, or indeed any

*significant change following your 11 January deadline, will have a major impact upon our own budget setting process(In the event no subsequent changes took place other than the loss of grant referred to below).*

- 3.5** Following the consultation period, the final grant settlement was announced on 31 January and showed that SWFA had a reduced entitlement in 2006/07 of £20,000 and a reduction in 2007/08 of £61,000. No direct reply to SWFA's consultation response was received and the reasons for the subsequent reductions have not been released.
- 3.6** The 2006/07 settlement, therefore, did give certainty for 2007/08 and enabled the Fire Authority to set plans for its services and precept levels for two years ahead. This was a very welcome advance and enabled much more effective planning and consultation, despite the remaining concerns about the formula and the loss of grant through the flooring mechanism.
- 3.7** The previous certainty contrasts with the lack of certainty about the 2008/09 settlement, which will establish grant levels for the following three years. Uncertainty exists in the following areas:-
- The total resources available for local government and for the fire and rescue service in particular. This will be determined through the Comprehensive Spending Review 2007 and will establish the growth in grant income for the service as a whole.
  - The fire formula distribution mechanism, which we believe will be unchanged and, therefore, will retain the benefits achieved by the changes introduced in 2006/07, albeit preventing the further improvements we would have wanted.
  - The continued release of the £731,000 grant held back through the flooring mechanism, which we hope will continue at least as quickly as under the previous settlement.
  - Release of the grant money clawed back to pay for government funding of modernisation, which reduced current grant by about £100,000.
  - Capping criteria to be applied to precepts and /or expenditure increases.

For these reasons, and particularly because the outcome of the Comprehensive Spending Review is not now due until the autumn, the Fire Authority has decided to explore the impact of ranges of likely resources on service and precept levels. Further detail of how this work will be conducted is included within Section 7 of this Plan.

## Revenue Budgets 2007/08 to 2009/10

- 3.8** During early consideration of revenue budgets for 2007/08 to 2009/10 Members of SWFA recognised that they were in an extremely difficult position with regard to being able to plan their budgets beyond 2007/08.
- 3.9** Members were actually in a position for 2007/08 to take account of efficiencies, savings and service developments, identified through their Integrated Risk Management Plan (IRMP), whilst at the same time fulfilling their promise to council taxpayers to maintain a downward trend on precept levels. In doing so, however, they needed to be extremely cautious not to build in problems for future years for which they had hardly any indication as to what future central grant would be.

### Integrated Risk Management Planning (IRMP) and other Service Developments

- 3.10** Through the Fire Authority's IRMP Members' Working Group it had been identified that a 20% improvement in fire cover in the Telford area could be achieved by moving one wholtime appliance from Telford to Tweedale. By moving the appliance to the existing Retained Station at Tweedale costs were to be kept to a minimum (£160,000 Revenue and £35,000 Capital) and through extensive consultation the proposal received widespread approval and was agreed by Members for implementation from April 2007.
- 3.11** Other more limited growth items for the 2007/08 budget included £41,000 for the implementation of a road traffic collision reduction strategy, £30,000 for the introduction of an information and data quality officer, £24,000 for an Older Peoples officer and an increase of £25,000 for the Human Resources budget to provide for equality and 'reasonable adjustment' budgets.

### Efficiencies and Savings

- 3.12** Throughout all versions of the Fire and Rescue National Framework, it has been identified that **“the costs and savings of modernisation could fall unevenly across fire and rescue authorities.”** In Services such as Shropshire, where fire cover is provided predominantly by Retained personnel and where funding has always been limited, it is becoming increasingly difficult to identify further efficiency savings. Nevertheless, SWFA was able to force out a total of £190,000 efficiencies and savings from its 2006/07 budget to help fund the Service developments for 2007/08 as described above.
- 3.13** Efficiencies were made as follows:

• Hydrant maintenance contract reduction	£20,000
• Rental income for housing an ambulance and crew	£9,000
• Re-issue of personal protective equipment (fire kit)	£20,000
• Re-deployment of injured firefighter rather than retirement	£16,000
• Change to wholtime firefighter recruitment provider	£10,000
• Change of rank of Retained Support Officers	£25,000

One year savings were made by delaying a planned further investment of £95,000 in the Retained Service by 12 months to enable scheduled increased recruitment to be achieved.

**3.14** In deciding to progress with all of the above Service developments and to make all of the efficiencies/savings, SWFA went out to consultation on the following main issues for its budget for 2007/08:

- Taking all of the proposals described above would have led to an increase in council tax precept for 2007/08 of 4.35%. The Fire Authority, however, asked their officers to seek further reductions to restrict the increase to 4%, (this required further reductions of £40,000, which were achieved).
- This meant a budget increase from £18.296m to £19.039m.
- This entailed a Council Tax on Band D properties of £75.52 or an increase of £2.90 per year (from £72.62).
- Consultees were reminded that SWFA provides a fire and rescue service that has been recognised by the Audit Commission as 'Performing Strongly'.
- Also, that SWFA costs are only a small percentage of overall Council Tax (approximately 5%).
- But – that the cost to local tax payers does not compare well to that of other Combined Fire and Rescue Authorities.
- It was pointed out that the Government, however, appears to have recognised the ongoing under-investment in rural Services such as Shropshire.
- But that the impact of floor damping meant that this under investment will take many years to correct.
- The difficulties in setting budgets beyond 2007/08 were pointed out to consultees and finally,
- Consultees were reminded that the Fire Authority had made a commitment to reducing precept increases year on year, if possible, and that the proposed increased of 4% honoured that commitment.

## **Consultation on Budgets and Precept**

**3.15** The Fire Authority places the highest significance on the need to consult with the public and stakeholders. The Audit Commission's national report on CPA in the FRS highlights examples of effective community engagement. It states that most fire and rescue authorities are developing their approaches, with SWFA cited as an example of good practice regarding the use of Scrutiny Panels, focus groups, public meetings and internet communication being used to inform improvement priorities.

**3.16** With regard to its budget setting process SWFA consults through:

- Publishing its budget meetings, decisions and reports on its website;
- Commissioning public meetings and meetings with non-domestic rate payers through Opinion Research Services Ltd; and
- Meetings with the Shropshire Association of Local Councils and other public bodies, as requested.

**3.17** These consultations have shaped the budget process throughout, and the primary source of feedback for the Fire Authority came from two Scrutiny Panels (with the public and stakeholders) as follows:

**Scrutiny Panels**

**3.18** Two forums were held with members of the public in Shrewsbury and Ludlow – the make up of which can be seen in the table below. Participants were broadly representative of their local communities and, encouragingly, represented a wide spectrum of ages and social-economic status.

Panel	Attendees	Composition
Shrewsbury	15	7 women, 8 men
Ludlow	11	6 women, 5 men

**3.19** All participants, who attended the IRMP 2007/08 Scrutiny Panel in October 2006, were invited to attend a follow-up consultation session on Shropshire and Wrekin Fire Authority's Precept 2007/08. Those, who attended, engaged fully with the issues and actively participated in the Panel.

**3.20** The Scrutiny Panel methodology was first adopted by SWFA in October 2004 for public consultation on the IRMP 2005/6, a decision informed in the main by the experience of the previous year's consultation. In Shropshire, as in many other fire and rescue service areas, focus group discussions had been the primary method employed to consult with the general public. During this process it became apparent that a substantial amount of information had to be given to participants, and this was inevitably constrained by the time available (one-and-a-half hours) and the limited technical knowledge of the facilitators. In an attempt to address these issues, a different format was deemed to be advisable.

**3.21** A Scrutiny Panel offers three distinct benefits:

- Technical expertise is available both to explain the issues and to respond to any queries;
- Meetings last for about three hours, giving much more time for questions and responses, and for people to consider the issues in some detail; and
- A Scrutiny Panel is not normally a one-off event; people are asked to commit themselves to an ongoing relationship, which may last for two or more years, hence they build a level of knowledge that leads to more informed debate.

**3.22** The other side to the story is, however, that a much higher degree of involvement is needed on the part of the Fire and Rescue Service. Similarly, participants are asked to make a far greater commitment than is required from Focus Group attendees.

**3.23** One of the major benefits in using the Scrutiny Panel methodology is that participants will, over time, develop a good knowledge of the Fire and Rescue Service. There is, however, the issue of over-identification with the Service to be considered, which can be a side effect of gaining more knowledge and understanding. This can be overcome by ensuring that the Panel is 'refreshed', with one third being replaced annually. It is advisable that the first 'refreshing' takes place after two years to allow time for the Panel to become established.

- 3.24** Previous Scrutiny Panels have worked very successfully and all parties have enjoyed the experience. The positive feedback received from participants indicated that the meetings have not only left people with a much better understanding of the Fire and Rescue Service, but have also left them wanting to continue as Panel members. As such, it has been decided to adopt the same methodology, and invite the same people to discuss Shropshire and Wrekin Fire Authority's budgetary plans for 2007/08 and beyond.

### Scrutiny Panel Agenda

- 3.25** The Scrutiny Panel meetings went well in the sense of providing substantial information for the participants to understand, question and debate the issues fully. In order to make the meetings as informed as possible for the participants, SFRS prepared and delivered a detailed presentation on the various aspects of the 2007/08 Precept, covering:

- SWFA's proposed Revenue Budget 2007/08
- Capital Expenditure
- Efficiencies and Savings
- Service Developments

The groups were then given the opportunity to ask questions and seek points of clarification, before dividing into smaller groups and considering the Precept in some detail. Finally, there was a plenary session where the facilitator fed back each of the groups' findings and views.

### Summary of Feedback

#### 3.26 Revenue budget 2007/08

- All participants felt that the **rise in Council Tax** to fund Shropshire and Wrekin Fire Authority's budget increase is reasonable, justified and about right.
- Many participants felt that they would be prepared to accept a 4.35% increase, given that the FRS is a priority service; there was a sense amongst several sub-groups that the Fire Authority should not be too concerned with keeping the rise to 4%. Others disagreed, feeling that every effort should be made to keep the increase at 4% as this ensures that the Fire Authority looks for savings that it may not otherwise have identified.
- All groups agreed that the Fire Authority should not attempt to go below an increase of 4% by delaying the implementation of the changes at Tweedale fire station.
- Participants expressed disconcertion that previous and current Fire and Rescue Service funding has led to Shropshire and Wrekin Fire Authority's having the **second highest precept** of all Combined Fire Authorities. However, the reasons for why this is the case were accepted and understood by the vast majority of participants and, in light of this, they thought it reasonable that SWFA charges what it does in order to provide a necessary service.

- The post floor effect on the **Fire Formula Spending Share** was seen as unfair by some. However, a considerable number of participants understood the reason for Shropshire's reduced percentage share and were satisfied that the Government is attempting to redress the funding imbalance. Further, participants were pleased that the rise is at least *higher than inflation!*
- All groups were of the view that the Fire Authority represents excellent **value for money**. Participants felt that they receive an excellent service for the amount they pay through their Council Tax.
- SWFA was **highly praised** as an Authority and for the way it is exercising financial control within existing budgetary constraints.

### 3.27 Capital Expenditure

- The proposed capital expenditure was thought to represent good **value for money**; participants generally endorsed the items of expenditure and the amount of money being spent.
- Panellists were particularly satisfied with the focus on improving **equipment, vehicles and buildings**.
- In terms of **specific areas of spend**, a considerable number of participants were pleased with all, with the following being particularly noted:
  - Improved training for retained staff
  - Road traffic collision equipment for Ford Rangers
  - Telford Central improvements
  - Installation of fire alarms at fire stations
  - Improved technology and communications
- The following **concerns** were expressed regarding capital expenditure:
  - The perceived high cost of:
    - Installing fire alarms at fire stations
    - Garaging for the Ford Ranger at Oswestry
    - Telford Central improvements
  - The use of improved technology and communications for *pure spin*.
- Participants noted that they rely on, and **trust**, the Fire Authority to give them accurate financial figures and to make wise decisions with regard to capital spend. They also accepted that the capital expenditure costs are not finalised and trusted that they will be kept down as much as possible

### 3.28 Efficiencies and Savings

- The **efficiencies and savings** put forward by the Fire Authority were deemed highly appropriate.
- Participants were pleased that **areas of potential saving** are being explored and questioned whether there are others.
- **Hydrant maintenance contract reduction**
  - This was, on the whole, supported, *provided service and maintenance is not affected*.
  - There was some concern at Ludlow that *the cheapest price can result in the cheapest job and we don't want hydrants that don't work!*

- **Rental income (ambulance at Market Drayton)**
  - This was endorsed as *great thinking* that could, if possible, be extended to other areas.
  - A minority questioned the £9,000 rental; they viewed this as low and recommended an annual review of the figure.
- **Personal protective equipment (re-issue of fire kit)**
  - The re-issue of fire kit was strongly supported; participants questioned why this has not been done before now.
- **Re-deployment rather than ill-health retirement**
  - This was again generally seen as an excellent idea in that *it is keeping knowledge within the Service and values the greatest resource – the people!*
- **Wholetime recruit training (change of provider)**
  - The change in training provider was supported, providing the quality of training is maintained.
  - As with the re-issue of fire kit, some were surprised that this has not happened earlier.
- **Retained Support Officer appointments**
  - The appointment of Retained Support Officers was, in itself, generally supported.
  - There was some disagreement regarding the saving associated with offering these as firefighter posts rather than as promotion. Some were of the view that it is *good to use ordinary firefighters as this cuts costs*, whereas others were concerned that morale may be impaired by the lack of opportunity for promotion.

### 3.29 Service Developments

- **Integrated Risk Management Planning (four additional Watch Managers for Tweedale)**
  - This proposal was strongly approved as *providing better cover for people's safety and an efficient use of resources*.
- **Road Safety Strategy**
  - This was heavily endorsed; any strategy designed to reduce the number and severity of RTCs in Shropshire was deemed eminently desirable by all participants.
- **Data Quality Officer**
  - The employment of a Data Quality Officer was endorsed by most participants, given that the Audit Commission has highlighted data quality as an area for improvement.
  - There was a sense that the Officer will greatly assist in providing data to inform the future development of the Service.
  - Some participants supported this position on condition that the Officer is not merely used for propaganda purposes.

- **Older People's Officer**
  - Providing it is kept under review to ensure and ongoing cost benefit, the Older People's Officer was generally backed.
  - One group at Ludlow were undecided about this post being funded by the Fire Authority; they felt that it should possibly stay as a County Council responsibility under Social Services.
  - Another Ludlow group believed that the post-holder should not be restricted to working only with older people; it was suggested that the FRS should have a post for all vulnerable people.
  
- **Human Resources (equality and reasonable adjustment budget)**
  - All were in favour of a budget for reasonable adjustment in that it *makes best use of the valuable resource of trained people.*
  - Most agreed that having a budget for equality is *in today's world...a necessary allocation.* However, this was somewhat reluctantly accepted by some participants who felt that *this money may be better spread across the other four areas [of service development] and common sense used to cope with this.*
  
- Overall, the majority of participants were in agreement with the proposed spending on service developments. They were particularly pleased with the proposals pertaining to Tweedale; the Road Safety Strategy and, at Ludlow, the employment of a Data Quality Officer.
  
- As regards reservations, one group at Shrewsbury had qualms about the Data Quality Officer and felt that *the Audit Commission should justify the need to employ staff to answer their PIs.* Another at Ludlow possibly disagreed with the Older People's Officer as *this could be done through another agency.*

## Budgets and Precept 2007/08 to 2009/10

**3.30** In view of its desire to force out efficiencies and to continue funding Service improvements and, after taking into account the consultation response detailed above, SWFA approved the three-year growth in expenditure detailed in the following table.

### Analysis of Expenditure Growth 2007/08 to 2009/10

		2007/08 £000	2008/09 £000	2009/10 £000
i	2006/07 Budget Requirement	18,296	18,296	18,296
ii	Pension Funding	107	243	253
iii	Other committed changes	41-	57-	43-
		-----	-----	-----
		66	186	210
iv	Pay and Prices	598	1,224	1,832
v	Cashable efficiencies	100-	160-	124-
vi	IRMP ,Retained Review and other developments	280	375	473
vii	Capital Programme	89	195	275
viii	Reserves and Provisions	-	100	100
ix	Grant Amending Orders	170-	170-	170-
		-----	-----	-----
<b>x</b>	<b>Revised Budget Requirement</b>	<b>19,059</b>	<b>20,046</b>	<b>20,892</b>

The impact on precept levels for 2007/08 was assessed as follows and approved.

### Analysis of Precept Change

	Expenditure £000	Precept £	Precept Increase %
2006/07 Base	18,296		
Less grant	7,047-		
	-----		
Net requirement	11,249	72.62	-
Committed change	66	0.42	0.58
Pay and Prices	598	3.86	5.32
Cashable Efficiencies	100-	0.64-	0.88-
IRMP and Other Developments	280	1.81	2.49
Capital Programme	89	0.57	0.78
Grant Amending Order	170-	1.10-	1.51-
Grant for 2007/08	259-	1.67-	2.30-
	-----	-----	-----
	11,753	75.87	4.48
Tax base and Collection Fund		0.42-	0.58-
		-----	-----
Precept 2007/08 and % Increase		75.45	3.90

## Budget Management by Departments

**3.31** As described in Section 1 of the MTFP the longstanding aims and objectives of SWFA are as follows:

**Strategic Aim 1**

Reduce the risk to life and material loss from fire and other emergencies in the community

**Strategic Aim 2**

Protect life, property and the environment from fire and other emergencies

**Strategic Aim 3**

Secure the highest level of safety and welfare for all staff by providing effective supervision, training, equipment and systems of work

**Strategic Aim 4**

Provide a service that demonstrates quality and Best Value in service provision

**Strategic Aim 5**

Provide a service committed to the highest levels of equality and fairness

**3.32** In order to deliver against these service priorities and their associated corporate objectives, management of the Service is divided into five managerial areas, each with its own distinct service priorities and its own clear budget areas. The business plans and budgets of each of the departments are linked to the overall Performance Plan of SWFA and each is summarised on the following pages.

**3.33 Executive**

**Lead Officers: Chief Fire Officer/Treasurer**

The Executive Department provides the link between Shropshire and Wrekin Fire Authority and Shropshire Fire and Rescue Service. The Executive Department exists to ensure that the Fire Authority is able to fulfil its responsibilities for overall corporate governance of the Service, including the setting of strategic direction, financing the Service, setting aims, objectives and targets for the Service and monitoring the achievement of targets. In order to meet the needs of the Fire Authority, the Executive Department is also responsible for the planning and co-ordination of the work of all other departments.

**Budgets**

	<b>Staff Budgets</b>	<b>Other Budgets</b>	<b>Total Budget 2007/08</b>	<b>Capital</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Executive</b>	<b>570</b>	<b>1,745</b>	<b>2,315</b>	<b>0</b>
Executive	287	55	342	
Corporate Support	153	434	587	
Finance	130	1,256	1,386	0

### 3.34 Community Safety

**Lead Officer: Deputy Chief Fire Officer**

The Community Safety team is the service delivery branch of the Service. Through this team the Service delivers a broad range of community safety services, including community fire safety, business fire safety, emergency vehicle mobilising and operational delivery.

#### Budgets

	<b>Staff Budgets</b>	<b>Other Budgets</b>	<b>Total Budget 2007/08</b>	<b>Capital</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Community Safety</b>	<b>11,003</b>	<b>125</b>	<b>11,128</b>	<b>0</b>
Operational Response	383	9	382	
Fire Prevention	962	116	1,078	
District Performance	8,937	0	8,937	
Fire Control Convergence	721	0	721	0

### 3.35 Human Resources and Development

**Lead Officer: Assistant Chief Officer**

People are the organisation's most important resource and the role of the Human Resources and Development Department is to ensure that the Service has the right people in the right place at the right time with the right skills and competence properly to meet the needs of the organisation and that individuals gain the maximum satisfaction from their jobs.

#### Budgets

	<b>Staff Budgets</b>	<b>Other Budgets</b>	<b>Total Budget 2007/08</b>	<b>Capital</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Human Resources and Development</b>	<b>1,018</b>	<b>867</b>	<b>1,885</b>	<b>30</b>
Human Resources	331	458	789	
Training and Development	687	409	1,096	30

### 3.36 Strategy and Performance

#### Lead Officer: Assistant Chief Fire Officer

The Performance Improvement Department comprises of three distinct teams that collectively provide a core support function to Shropshire Fire and Rescue Service. The Department is primarily responsible for the provision and maintenance of a modern and resilient communications and information infrastructure, and the management of risk and performance. In addition to supporting Brigade-wide issues, the Department also acts as the organisation's primary point of contact and support to the West Midlands Regional Management Board.

#### Budgets

	<b>Staff Budgets</b>	<b>Other Budgets</b>	<b>Total Budget 2007/08</b>	<b>Capital</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Strategy &amp; Performance</b>	<b>741</b>	<b>804</b>	<b>1545</b>	<b>60</b>
Management of Risk	337	56	393	
Programme Office and WMRMB	235	51	286	<b>0</b>
ICT	169	697	866	<b>60</b>

### 3.37 Resources

#### Lead Officer: Head of Resources

The Resources Department is responsible for ensuring that employees have the resources (including buildings, vehicles and equipment) and supplier support they need to provide an effective, safe and efficient service. The Technical Services Team has the specialist skills to manage the wide range of resources and suppliers used by the Service. The team also provides procurement and environmental management for the whole Service. The Service's workshops provide an in-house maintenance service for vehicles and specialist equipment.

#### Budgets

	<b>Staff Budgets</b>	<b>Other Budgets</b>	<b>Total Budget 2007/08</b>	<b>Capital</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Resources</b>	<b>414</b>	<b>1,772</b>	<b>2,186</b>	<b>960</b>
Technical Services	262	1,686	1,948	
Workshops	152	86	238	

### 3.38 Overall Revenue and Capital Budget 2007-08 Allocation

As can be seen from the table on the following page, the complete revenue and capital budgets of SWFA are clearly delegated to departmental heads. Further delegation of budgets is then the responsibility of those departmental heads, with budget monitoring information provided to individuals on a monthly basis and discussed at the Service's Policy Group on the same timescale.

The Fire Authority also, of course, regularly monitors its budgets through its full meetings and through its Strategy and Resources Committee, whilst the Audit and Performance Management Committee of the Fire Authority additionally provides a robust forum for challenge on all budget matters.

### 3.39 Overall Budgets

	<b>Staff Budgets</b>	<b>Other Budgets</b>	<b>Total Budget 2007/08</b>	<b>Capital</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Executive	570	1,745	2,315	
Community Safety	11,003	125	11,128	
Human Resources and Development	1,018	867	1,885	30
Strategy and Performance	741	804	1,545	60
Resources	414	1,772	2,186	960
<b>Grand Total</b>	<b>13,746</b>	<b>5,313</b>	<b>19,059</b>	

<b>Revenue Budget 2007/08</b>			<b>19,059</b>	
<b>Capital Programme 2007/08</b>				<b>1,050</b>

### 3.40 Partnership Budgets

The Fire Authority has established a Partnership Group to monitor and control governance issues relating to all of the partnerships, which the Fire Authority has entered in order to develop its services through joint working. This has enabled the following table to be produced showing the financial planning issues for each partnership over the next three years. Currently all partnerships' work programmes can be funded from existing budget plans. Indeed, many require officer time rather than earmarked, specific budgets and the issue of staff capacity is dealt with by each department when preparing their business plans. The three major partnerships, i.e. the West Midlands Regional Management Board, the Shropshire Partnership Local Strategic Partnership and the Safer and Stronger Communities Partnership all have deliverable budget plans in place.

#### Schedule of Partnerships

<b>Partnership Name</b>	<b>Summary of Partnership</b>	<b>Finance (expenditure)</b>	<b>Finance (Income)</b>
Age Concern	Age Concern help at home volunteers carry out home fire risk assessments and fit smoke alarms	none over and above normal business	
Bogus Callers Task Force	Provide support and equipment to help older people feel safe in their own homes	none over and above normal business	

<b>Partnership Name</b>	<b>Summary of Partnership</b>	<b>Finance (expenditure)</b>	<b>Finance (Income)</b>
Bridgnorth Community Safety Partnership (CDRP)	To reduce antisocial behaviour, substance misuse, crimes against the person, property crime and perception of crime in the BN area through a partnership approach		income - £1,000 for Be Cool, Be Safe Booklet
Bridgnorth District Community Partnership (LSP)	To increase community well being, the Brigade is involved in this area. Improve the economy and environment and encourage learning for life	none over and above normal business	
Environment Agency	By working as one of the EA's partners using their equipment, SFRS mitigates and reduces the impact of fires and other incidents we attend	none over and above normal business	
Exchange Programme with FALCK	An exchange programme with Falck of Denmark facilitated by funding from the British Council through the Leonardo da Vinci programme	cost neutral	grant received from British Council for £19k approximately
Exchange Project	An exchange project with Falck of Denmark and placements in four other European public safety organisations facilitated by funding from ECOTECH through the Leonardo da Vinci programme	see comment left	
Fire Brigades of the Midlands - Recruitment Initiative	Brigades from the Midlands come together at the Mela to give recruitment and CFS information to the Asian community. The Brigades share the cost of the stand and materials.	£500 pa for stand and equipment	
Youth Intervention Partnership with Youth Offending Service (YOS)	In partnership with YOS to educate clients in the judicial system charged with arson and hoax calls	none over and above normal business.	receives £100 per vehicle from WMC to make the vehicles safe
Local Resilience Forum	The forum is required under the Civil Contingencies Act and is a legal duty through the Regional Management Board	none over and above normal business	

<b>Partnership Name</b>	<b>Summary of Partnership</b>	<b>Finance (expenditure)</b>	<b>Finance (Income)</b>
North Shropshire Community Safety Partnership (CDRP)	This is a crime and disorder partnership set up under legislation.	none over and above normal business	
Oswestry Community Safety Partnership (includes CDRP)	This is a crime and disorder partnership set up under legislation.		£1,000 income for the quiz held each year
Race Equality: Diversity Group	A partnership, which works with others across Telford and Wrekin to eliminate discrimination and harassment; inform policy making and ensure equality of opportunity for all.	£5,000 pa	
Rural Fire Safety	Working jointly with National Farmers Union to reduce incidents generally in the rural communities and particularly on farms	none over and above normal business	
Rural Services Partnership	Group of local rural authorities who represent very rural service providers, including health, education, police, social landlords and fire	£300 pa	
Safer and Stronger Communities Partnership	To deliver a range of 'Safer Communities' objectives across the Borough, many in line with ours		income - £75,000 pa
Shrewsbury and Atcham Borough Council Community Safety Partnership (CDRP)	To reduce antisocial behaviour, substance misuse, crimes against the person, property crime and perception of crime in the Shrewsbury area through a partnership approach	none over and above normal business.	income - £1,000 for Be Cool, Be Safe Booklet
Shrewsbury and Atcham Local Strategic Partnership	As set out in the community safety strategy for SABC	none over and above normal business	
Shropshire Access Partnership	The group works within the Regional Government arena of improving access to services and increased employment in rural Shropshire	none over and above normal business	

<b>Partnership Name</b>	<b>Summary of Partnership</b>	<b>Finance (expenditure)</b>	<b>Finance (Income)</b>
Shropshire Equalities Forum	To represent the views of Shropshire's BME and other diversity and equality communities and to implement Shropshire Partnership's policy statement on equality and diversity	£5,000 pa	
Shropshire Partnership LSP	To co-ordinate community safety and cohesion issues across the whole of Shropshire (excluding BTW)	£10,000 pa	£15,000 towards Outreach Vehicle
Smoke Free Shropshire Alliance	Multi-agency partnership engaged in smoking cessation and associated health and fire risks	none over and above normal business	
South Shropshire CDRP Partnership	To reduce antisocial behaviour, substance misuse, crimes against the person, property crime and perception of crime in the South Shropshire area through a partnership approach		income - £1,000 pa for Be Cool, Be Safe Booklet
South Shropshire Partnership (LSP)	Deliver community strategies to improve economic, social and environmental well being in South Shropshire	none over and above normal business	
Switch On Shropshire	To allow SOS to use Much Wenlock Station for a Broadplace (Internet 'Café')	Less than £100 pa	
T&W Housing (safety in the home)	To create safer homes in Telford and Wrekin and reduce accidents and fires in the home. Staff training and provision of smoke alarms	none over and above normal business	
West Midlands Regional Management Board	Achieve regional control centre and improve effectiveness and efficiency of the region as a whole as well the resilience.	£50,000 pa	Amount received for percentage of Regional Programme Office

Please note that no significant assets (over £1000) have been received from the organisations listed in the above table.

## Risks and Reserves

**3.1** The Fire Authority has carefully reviewed its need for a general reserve and particularly the assumptions on which the need has been assessed. It has also established a number of reserves and provisions, which have helped quantify and clarify the need for a general reserve, and will also help reduce the financial pressure on services in future years. Its policy can be summarised as follows:

- Keep the level of reserves, balances and provisions to a minimum, as they represent cash taken from taxpayers and not immediately put to use
- Establish a general reserve linked to identified risks and based on likelihood of events taking place
- Establish reserves and provisions to meet quantifiable issues that are certain to happen, will help smooth out annual variations or will provide resources for specific future objectives and
- Consider the use of any surplus cash to build up a capital reserve to meet the known, extraordinary demands on capital funding and future revenue accounts caused by the possible relocation from the current Service Headquarters in Shrewsbury.

**3.2** The statement of reserves and provisions is set out below and Members have approved this as a basis for budgeting in 2007/08 and beyond. The approach to establishing reserves and provisions, together with the assumptions about pay and prices, has ensured that robust budgets can be set for the medium term.

**3.3** The General Reserve represents approximately 4.7% of the overall revenue budget and is, therefore, generally in line with Audit Commission recommendations regarding levels of reserves.

The table below sets out the reserves and balances agreed by the Fire Authority for the period of the Plan:

Provision or Reserve	Balance 31 March 2007 £000	Balance 31 March 2008 £000	Balance 31 March 2009 £000	Balance 31 March 2010 £000
<b>Provisions</b>				
Equipment Replacement	107	113	125	139
LSI/CPD Payments	9	-	-	-
<b>Reserves</b>				
Retained Review Project	190	195	100	-
Transitional Funding	101	-	-	-
Efficiency	95	48	-	
Capital	387	315	159	228
Pensions	400	412	424	437
Extreme Weather	273	281	289	298
General Reserve	959*	926	953	981

\* Includes £60,000 underspend carried forward into 2007/08

The Final Accounts show the actual balances at 31 March 2007, which reflect changes since the budget was set. These balances have been reviewed and the forward budgets will be amended for the minor changes involved.

The most significant change is that the balance on the Capital Reserve is £822,000, i.e. an increase of £435,000. The increase is a result of capital expenditure slipping into 2007/08, when the monies will be used. The final accounts also include the additional contributions agreed by the Fire Authority, financed from underspendings approved earlier in the year.

## Summary

**3.4** In setting its revenue budgets for 2007/08 to 2009/10, SWFA has taken account of a number of factors as summarised below:

- SWFA received improved grant settlements for 2006/07 and 2007/08.
- In responding to the Government's consultation on the grant settlement, SWFA highlighted a number of areas where the council tax payers of Shropshire and Telford and Wrekin continue to be penalised through the revised funding system - namely, through lack of recognition of the impact of sparsity, through the massive negative impact of 'flooring', and through significant losses from unexplained 'previous years' amendments'.
- The improvement in grant settlements offered SWFA the opportunity to set a nil increase in precept for 2006/07 and 2007/08.
- The need to take into account efficiencies and service improvements made through their IRMP and for substantial investment in the Retained Service, however, required a precept increase for 2006/07 of 4.5% and for 2007/08 of 3.9%.
- Consultation with the public and stakeholders provided widespread support for such increases.
- In continuing to drive its longstanding strategic aims for the Service, SWFA manages its budgets through five separate departments each with its own delegated budget responsibility.
- SWFA has established a number of reserves and provisions, which have helped quantify and clarify the need for a general reserve, will help reduce the financial pressure on services in future years, whilst minimising the impact that the need to have these reserves will place on the public and stakeholders.

# **Section 4**

## **Value for Money Strategy**

## Delivering Value for Money - Methodologies

4.1 The Fire Authority has a number of methodologies and structures for promoting and delivering value for money. These are summarised below.

### Prudential Review

4.2 The key methodology is the Integrated Risk Management Planning (IRMP) process, led by a 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. It looks at fundamental issues and, as such, is likely to deliver the largest shifts in use of resources through examining staff deployment, use of property and the vehicle and appliance fleet.

4.3 The results of the IRMP Working Group's reviews are fed into the budget process each year following appropriate consultation with stakeholders and the public.

### Fire Authority Policy

4.4 The Fire Authority regards the objective of providing value for money as a key part of its culture and two of its policies reflect this:

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

4.5 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.

<b>On-going efficiencies</b>	<b>2005/06 £000</b>	<b>2006/07 £000</b>	<b>2007/08 £000</b>
2004/05 Final	167	167	167
2005/06 Final	264	203	203
2006/07 Latest Estimate	-	343	343
2007/08 Budget Target	-	-	75+
	<u>431</u>	<u>713</u>	<u>788+</u>
National Target Disaggregation	<u>208</u>	<u>676</u>	<u>930</u>

4.6 The £75,000 plus budget target for 2007/08 is based on a realistic examination of the scope for efficiencies plus the hope that continuing efforts by officers and Members will achieve more during the next year. Any further efficiencies that can be found will help close the difference of £142,000 from £930,000, i.e. the national disaggregated target. Efficiencies would not, however, 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.

## **Comparisons and Benchmarking**

- 4.7 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, partnership working through the West Midlands Regional Management Board alerts us to local opportunities and experience.
- 4.8 The Fire Authority also 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.
- 4.9 Finally, the Fire Authority examines each year the variations in costs as shown in the CIPFA Fire Service Statistics. Members then expect 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.

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

- 4.10 As a result of the policy of using efficiencies to help fund growth, the Fire Authority will continue the current practice of examining the scope for efficiencies within the national target. Officers will also bring forward potential cost reductions, together with any service implications for Members to consider as part of the budget process, and, if necessary, formally consult with the public.

## **Base Budget Reviews**

- 4.11 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 progress 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 reducing budgets in a formal way. 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.

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

- 4.12 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.

## **Effective Corporate Procurement Mechanisms**

- 4.13 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. Examples include contracts with Images at Work, which have replaced the need to hold stock and provided incentives to drive down costs or limit price increases.

## **Achieving Economies through Joint Working**

- 4.14 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.

## **Customer Feedback**

- 4.15** The Fire Authority has been highlighted as having an effective annual consultation process with the public on IRMP 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, e.g. dealing with, and helping to reduce, road traffic collisions.

## **Scrutiny**

- 4.16** 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**

- 4.17** The Fire Authority uses internal audit to evaluate its internal control systems, including those 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 systems are accurate so that informed management decisions can be taken.
- 4.18** Internal audit also questions current practices, and suggests improvements. This is helped by the employment of internal audit services from Shropshire County Council, who can bring examples of good practice particularly in the operation of common systems, e.g. creditors and payroll.

## **Performance Management**

- 4.19** The Performance Plan sets out 5 aims and 17 corporate objectives leading to shared priorities and primary aims within them. This sets the ground work for the key performance indicators, which are then monitored by officers and the Audit and Performance Management Committee and the Fire Authority.
- 4.20** The shared priorities and primary aims are also embedded in the Business Department structure and set out in their Business 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 shared priorities.

## **Organisational Structure**

- 4.21** 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 Business 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

The Authority believes that this infrastructure is necessary in order to secure value for money across all activities.

# **Section 5**

## **Overview of Capital Investment Plan 2006-09**

## Capital Investment Plan

- 5.1** SWFA's Medium Term Financial Plan is led by the work of Integrated Risk Management and the desire to use capital investment to achieve best value services within that context. The key to this is to identify where fire appliances would best be located, taking into account both current and future risks.
- 5.2** Within that overarching objective is firstly the need to deal with the issue of Brigade Headquarters and the associated services housed on the same site, together with the location of appliances within Telford to ensure they are most effective. The second important matter is the maintenance of the existing asset stock and particularly the replacement and/or reconfiguration of the vehicle fleet. Finally, the Fire Authority needs to deal with technological change and innovation, ensuring that best value is maintained – whether that be in management systems or new equipment to deal with incidents.

### Proposed Capital Investment Plan

- 5.3** Summarised below by Business Group is the proposed investment plan. Details of the projects and schemes can be found in the Budget Book.

	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Strategy and Performance	60	160	75
Human Resources and Development	30	30	30
Resources	960	845	1,215
Service Delivery			150
	<u>1,050</u>	<u>1,035</u>	<u>1,470</u>

- 5.4** The most significant elements of SWFA's investment plans are as follows:
- Maintaining existing facilities at retained stations, improving the Service's efficiencies and effectiveness at Telford and installing fire alarms at our own stations
  - Renewing appliances, as required by the fleet replacement policies derived from best value studies
  - Investing in prevention which is one of the key service development focuses
  - Maintaining training facilities consistently throughout the period
  - Fire kit replacement linked to the national Integrated Clothing Project

### Government Support

- 5.5** Historically Government support for capital has been low. Prior to introduction of the Prudential System in 2004/05, borrowing was limited to about £300,000 a year. This was in the context of one replacement appliance costing about £170,000. The consequence was a reliance on leasing, particularly operational leasing to obtain vehicles and equipment.

- 5.6 The Fire Authority, therefore, inherited a large leasing cost from Shropshire County Council in 1998/99, when it was created, although, in common with other combined fire authorities, no debt, which remained with the County Council.
- 5.7 The Government supports Fire Authority capital investment by providing capital grants, but mainly through making an increase in revenue grant, which can then be used to underpin increased borrowing costs arising where capital expenditure is financed from loan. Although such grant aid is slightly above levels of borrowing approved under the previous capital regime, i.e. equivalent to about £400,000 of capital expenditure, this is insufficient to meet current and predicted future investment needs.
- 5.8 SWFA will, therefore, be making use of prudential borrowing, including leasing, whilst being alert to the opportunity to use capital receipts, direct revenue/capital resources, or potentially private finance or other collaborative funding. In the case of the latter, this is likely to be in partnership within the region.

### **SWFA's Investment Approach and Strategy for Resource Allocation**

- 5.9 All projects are subject to an investment appraisal, which tests whether the schemes are really required to deliver service priorities and strategies economically and efficiently. Only when robust testing of the project appraisal and business case for each scheme has been completed is it included in the Fire Authority's budget and service plans and allocated to a management department for delivery. Following the review of use of resources the Fire Authority will examine completed schemes to test whether the process and service expectations set out in project appraisals were in fact delivered and whether capital planning can be improved in the light of experience.
- 5.10 Information on existing assets is used to determine budget allocations for capital maintenance in order to sustain and modernise existing service levels effectively. This is particularly relevant to fleet management and the maintenance and upgrading of retained stations.
- 5.11 New investment will always be led to a large extent by the Integrated Risk Management process, including public consultation. Key to this is the strategy towards redeploying effectively the services provided from Brigade Headquarters. Currently, attention is being paid to effective upgrading and maintenance of standards but without risking unnecessary expenditure, which might prove redundant, subject to future developments, e.g. the affect of control room regionalisation. This is a complex issue and the Fire Authority has appointed advisers to investigate the options available whilst officers also examine the service implications of various locations and configuration of services.

### **Capital Resources**

- 5.12 IRMP and its implication for Shrewsbury and Telford, the need to renew and replace existing assets plus other investment needed to deliver the Fire Authority's programmes will mean that capital investment will exceed the likely amounts supported by the Government, or provided from disposing of assets. SWFA is, therefore, proposing to make additional use of prudential borrowing in its 2007/10 plan. It is clearly welcome that the new prudential regime gives the Fire Authority freedom to integrate fully its revenue and capital planning. The Fire Authority is, however, also very conscious of the impact this may have in building up revenue consequences in future years when capping is a real risk.

- 5.13** The three-year revenue and capital plan adopted by the Authority does appear feasible in terms of the prudential indicators, known other commitments, including inflation, and current understanding of likely Government grant settlements. The Fire Authority has, however, taken what it considers to be a prudent step in establishing a capital reserve, which it hopes will make its capital investment more likely to be achievable.

Its investment plan resourcing can be summarised as follows:

	<b>2007/08</b> <b>£000</b>	<b>2008/09</b> <b>£000</b>	<b>2009/10</b> <b>£000</b>
Prudential borrowing			
- Support by Government	411	411	411*
- Balance	319	334	963
	----- 730	----- 745	----- 1,374
Capital Reserve	320	290	96
Capital Receipts	-	-	-
Revenue	-	-	-
Grants and other external funds	-	-	-
	----- <u>1,050</u>	----- <u>1,035</u>	----- <u>1,470</u>

\* Circular FRS58-2005 only shows 2006/07 and 2007/08.

## **Loan**

- 5.14** Affordable borrowing is estimated at £730,000 in 2007/08. The plans for borrowing across the three-year plans are currently considered affordable. The Fire Authority is conscious of the opportunity to undertake leasing, either operational or finance leasing, and expects the whole-life costing of alternatives between borrowing and leasing to be undertaken for all major fleet renewal or replacement. In previous years cost differences have been marginally in favour of borrowing, which, together with the operational benefits of outright ownership, have resulted in a move towards borrowing or revenue funding and away from leasing.
- 5.15** Section 6 of the Plan sets out the Treasury Strategy that supports the estimated borrowing and Appendix A to the Plan details the prudential indicators for capital expenditure and treasury management.

## **Capital Receipts**

- 5.16** Services can be improved or replaced by using capital receipts arising from associated property or land to fund a new or updated facility. Although no such receipts are currently shown, the Fire Authority is mindful of the opportunity costs of owning underutilised assets and is constantly re-evaluating its asset base. In particular, the Fire Authority is aware of the potential value of its Headquarters site, although the cost of replacement (particularly as the site and buildings are substantially debt free) will present funding challenges.

## **Grants and External Funding**

- 5.17** At present no capital grants or external funding are anticipated, although monies for New Dimensions work has been forthcoming at relatively short notice in previous years. The Fire Authority is also conscious of the opportunity to obtain external revenue support from sharing its facilities. Although initiatives with other emergency services have been limited to date, there are current sharing arrangements at Market Drayton with the Ambulance Service. Close regional working may offer more opportunities in future or, indeed, enable capital receipts to become available.

## **Capital Reserve and Revenue**

- 5.18** In 2005/06 the Authority established a capital reserve largely through windfall gains from firefighter pension provisions, which became redundant with the changes to funding the new arrangements. The reserve will be supplemented by future windfalls and by replacement contributions for assets funded from the reserve.
- 5.19** The key objective of the reserve will be to deal with major future changes coming from IRMP but it can also be used for small, one-off investments, where borrowing may not be appropriate, such as IT and other systems innovation.
- 5.20** Set out overleaf is the ten-year plan for capital. This is reviewed each year as part of the budget process. It helps to assess future, potential financial pressures that investment brings to the revenue account and enables an evaluation of how the programme might best be funded, including the use of the capital reserve.

**Appendix** to report on  
Medium Term Financial Plan 2007/08 to 2009/10  
Shropshire and Wrekin Fire Authority

**Shropshire and Wrekin Fire Authority  
Capital Programme 2007/08 to 2016/17**

13 June 2007

	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
<b>BUILDINGS</b>										
1	Building Improvements (Retained Stations)	65	65	105 (CM)	65	65	65	65	65	65
2	Garaging for Ford Ranger at Oswestry	20								
3	Fire Alarm Installations (Wholetime stations)	100								
4	Tweeddale Improvements	35								
5	Shrewsbury IRMP				1,500	2,500				
6	Telford Central Improvements	100	0	0						
7	Crucial Crew Venue			150						
8	Workshops (rented pending HQ move)									
<b>VEHICLES</b>										
9	Fire Appliances	510	680	510	510		510	340	850	850
10	Ford Rangers (Oswestry, Tweeddale and Reserve)	80								
11	Replacement for L4Ps (Small Fires Units)		100	100	100					
12	Light Pumping Unit (replace Heavy Pumping Unit)			250						
13	Water Carriers					120				120
14	Replace 5 Ford Rangers							100		
15	Heavy Rescue Tender Wellington									300
16	Aerial Ladder Platform Telford Central									450
<b>EQUIPMENT AND PPE</b>										
17	RTC equipment for Ford Rangers	50								
18	Firekit Replacement (Integrated Clothing Project)			250	250					
19	Gas Tight Suits				34					
20	Breathing Apparatus Set Replacement/Upgrade				50				150	
<b>TRAINING</b>										
21	Training Facilities	30	30	30	30	30	30	30	30	30
<b>TECHNOLOGY AND COMMUNICATIONS</b>										
22	Information Technology and Communications	50	50	50	50	50	50	50	50	50
23	Regional Fire Control Link		10							
24	Station End Equipment	10	25	25						
25	ITC Equipment Room relocation		75							
<b>OTHER</b>										
26	Capital Receipts (Headquarters site)				-500	-500				
<b>CAPITAL PROGRAMME TOTALS</b>										
		<b>1,050</b>	<b>1,035</b>	<b>1,470</b>	<b>2,089</b>	<b>2,265</b>	<b>655</b>	<b>485</b>	<b>1,095</b>	<b>1,030</b>
									<b>1,030</b>	<b>1,015</b>



# **Section 6**

## **Treasury Strategy 2007 to 2010**

## **Treasury Strategy**

- 6.1** The Fire Authority recognises the importance of Treasury Management to the economy and efficiency of its finances. It also recognises that delivering quality services in this area requires expertise and skills that cannot be delivered cost effectively in house.
- 6.2** SWFA, therefore, employs Shropshire County Council to manage its treasury functions, who have in turn appointed external advisors to support them. The Fire Authority has also linked its appointment of bankers to that of Shropshire County Council in order to benefit from efficiencies in tendering, cash flow management and investment.

## **Long Term Borrowing**

- 6.3** At 31 March 2007, long-term borrowing to fund capital expenditure was £5.110m. This reflects the fact that outstanding debt incurred before 1 April 1998 was retained by the predecessor authority, Shropshire County Council. Initially debt grew to reflect a policy of maximising the use of capital approvals based upon the revenue costs being met from revenue support grant and, therefore, being broadly affordable within the overall grant settlement. In addition, extensive use of operational leasing was used to replace fire appliances and other parts of the fleet, which continued the policy of the former Authority. This was largely dictated by the low level of borrowing approvals and the lack of alternative sources of funding, such as capital receipts. Any windfall revenue has, however, been used to replace leasing, where this has come available.
- 6.4** With the new Prudential Code, the Fire Authority has been able to use prudential borrowing instead of leasing, when this was either financially neutral or beneficial and also delivered service advantages, such as flexibility or reduced administrative costs. The Fire Authority will continue with this policy, borrowing if possible from the Public Works Local Board (PWLb).

## **Short Term Investments**

- 6.5** Since April 2004/05 the Fire Authority has been able to retain surpluses and create reserves and provisions. This has meant that its daily surplus cash balance has risen.
- 6.6** The main concern in investing surplus funds is security, and the Fire Authority will only lend to those institutions whose credit ratings are acceptable both to Shropshire County Council and itself. Key secondary concerns are liquidity and yield or return. Use has, therefore, been made of money market funds, which allow relatively small daily balances to be pooled and invested at significantly higher rates than could be achieved directly. The Prudential Guidelines have been amended in 2007/08 to allow £1.0m to be invested for periods of greater than 12 months. This has proved possible as reserves and provisions have added to normal cash flow availability. This has meant greater importance in monitoring cash flow forecasts but will allow the Fire Authority to take advantage of higher interest rates as they arise, without endangering liquidity.

- 6.7** The Treasurer maintains a list of agreed counterparties to ensure that borrowers are acceptable, which comprise banks, building societies, local authorities and money market funds. Shropshire County Council's Treasury Management Practices are also monitored and the Fire Authority's own practices reviewed regularly.

### **Prudential Indicators**

- 6.8** The Fire Authority recognises its legal obligation to comply with the Prudential Indicator regime and code, and that this gives it the essential information during the budget process as to whether its investment plans are affordable, prudent and offer value for money. The three-year capital investment plan is, and will in future be, checked for its sustainability.

### **Strategy Proposals**

#### **6.9 Long-Term Borrowing**

- **Active Debt Management**  
The Treasurer, with advice from Shropshire County Council, will consistently review opportunities for debt rescheduling, if this will deliver annual savings. Current indications are that the relatively small amounts of available borrowing, given the Fire Authority's recent borrowing history, make this of limited potential.
- **Timing of Borrowing**  
Borrowing is currently at relatively low rates. However timing of borrowing will take into account projected rate movements as well as being matched to capital investment profiles and, therefore, advice about borrowing in advance or later during years will be evaluated.
- **Periods of Borrowing**  
The current policy of borrowing for up to 50 years from the PWLB will be maintained, bearing in mind the maturity profile established through the Prudential Indicators.
- **Fixed or Variable Borrowing**  
Under current circumstances, SWFA will borrow at fixed rates. If rate patterns change, then variable rate borrowing may prove advantageous and would be considered then.

#### **6.10 Leasing**

All funding of vehicles and fleet will be appraised to ensure that leasing does not offer potential benefits. These will be evaluated against costs and disadvantages of leasing before a final decision is taken. Recent evidence following discussion with our Treasury Service Provider is that leasing is only likely to be financially comparable to borrowing if the leased asset is of a standard nature and is returned at the end of the primary period. This is not likely to apply to the Fire Authority's current spending plans.

#### **6.1 Short Term Investment**

SWFA will invest for more than 12 months on a limited scale, given the current level of balances and the need to ensure liquidity. The situation will, however, be reviewed in order to secure any future increased yields from longer-term lending.

- 6.11** Given the paramount importance of security of investments, investment will be limited to those banks, building societies, public authorities and money market funds that are acceptable to Shropshire County Council and the Treasurer of the Fire Authority.

### **Treasury Management Practice – Credit and Counterparty Risk Management**

- 6.12** The Authority is aware of the need to invest prudently. The investment guidance issued by the Office of the Deputy Prime Minister and Communities and Local Government, including the need to have regard to CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-Sectional Guidance Notes will, therefore, be followed.

### **Governance Arrangements**

- 6.13** The budgets for long-term borrowing and short-term investment are part of the Executive Business Department. The Treasurer is lead officer for treasury matters. Decisions are taken by the Fire Authority.
- 6.14** Shropshire County Council, advised by Sector Treasury Services, provides Treasury Management Services and advice. Its practices are monitored and the Fire Authority's own Treasury Management Practices updated regularly.

### **Performance Measurement**

- 6.15** The CIPFA Code requires performance measures to be set. These are:
- Debt Average Rate - measures the average interest rate of the debt portfolio each year and
  - Investments - the interest rate achieved is compared with the average 7 day loan rate to ensure that returns are maintained, despite the relatively small amounts and the short-term nature of some available cash balances.

# **Section 7**

## **Budget Risk Assessment**

## Budget Risk Assessment

7.1 The Fire Authority has a well developed approach to risk management and carefully analyses the potential budget risks. These risks can be categorised as follows:

- Accounts based
- External - service demand/demography
  - funding
  - legislation
- Budget
- Operational

7.2 The table at the end of this section sets out the various risks identified, their likelihood of happening, the relative impact on the three-year budget, and finally the scope for managing the risk.

7.3 The key risk identified this year is number 4 in the table. This is the funding uncertainty brought about by the Government's three-year Comprehensive Spending Review (CSR), which will establish the level of government grant for the period April 2008 to March 2011.

7.4 The Fire Authority is well aware of the issue and has decided to initiate some analysis of the likely resource variations that might arise. This has meant making optimistic and pessimistic assumptions about the extent of resources coming available both from the Government but also as a result of tax base changes.

The assumptions underlying the analysis are summarised in the table below.

	Uncertainty	Pessimistic Assumption	Optimistic Assumption
1	Grant	Cash freeze, i.e. inflation increase offset by efficiencies	+ £100,000 for cessation of modernisation clawback; continued release of floor protection money; 2.5% annual growth
2	Capping	Retained at 5%	Retained at 5%
3	Tax base	0.6% annual growth to reflect slow-down in 2007/08	1.0% annual growth to reflect highest previous annual growth
4	Collection Fund	Continues in surplus but at £40,000 to reflect further worst case downward movement	Surplus of £111,000, i.e. highest known to date
5	Expenditure	Same expenditure as predicted in the budgets approved by the Fire Authority in February 2007	Same as for the pessimistic assumption

7.5 These assumptions are converted to potential precept scenarios. These can then be compared with a ceiling of 4.9% growth in precept, i.e. the **maximum** before risking capping. The results can then be shown as potential **shortfalls** in resources, where

expenditure is likely to exceed the capping level, or **headroom** where resources are available to allow further expenditure to be undertaken without exceeding the capping level or to allow lower increases in precept.

### Resources shortfall or headroom

	2008/09 £000	2009/10 £000	2010/11 £000
Pessimistic	379 shortfall	536 shortfall	585 shortfall
Optimistic	68 headroom	194 headroom	446 headroom

- 7.6** Officers will use these figures as guides to consider the implication for service and precept planning in the 2008/09 budget planning process, culminating in the comprehensive spending review announcements and provisional grant settlement expected in November.

Risk	Probability (High, Medium, Low)	Impact on 2007-10	Scope to Mitigate Risk
<b>Accounts</b>			
1. Items in the accounts are subject to subsequent change	L	L	Identify accruals, bad debt provisions as areas most at risk
<b>External - Service Demand/Demography</b>			
2. Growth in population	H	L	Part of IRMP analysis using FSEC. Built into medium-term plans
3. Extreme weather conditions and impact on the Retained Service – drought/flood	M	M	Create a budget based on annual averages and use a reserve to receive under-payments and meet over-payments
<b>External - Funding Issues</b>			
4. Unexpected variations in external resources, especially when Government spending plans are reviewed	H (2008/09)	H	Undertake variation analysis and examine potential impact on service and /or precept

Risk	Probability (High, Medium, Low)	Impact on 2007-10	Scope to Mitigate Risk
5. Cash flow. Impacts of changes in grant funding, e.g. top-up grant for pensions	L	L	Maintain and monitor cash-flow forecasts
6. Uncertainty over specific grants, e.g. New Dimensions or joint arrangements, such as shared costs of Regional Management Board (RMB)	M	M	Constantly monitor the situation to update risk appraisals. Lobby for continuing or bettering the existing financing. Specific monitoring of Regional Fire Control and Firelink
7. Firefighter pension costs. The new arrangements may present unexpected budget issues. Ill-health and injury awards will also fall unevenly	L	M	Closely monitor new budgets, establish specific reserves, manage down potential ill-health retirements and ensure health and safety processes are followed to minimise injury awards
8. Capping. A major issue directly affecting service plans, as well as leading to potential re-billing costs	L	H	Ensure precept increases are judged in the context of potential capping levels, currently 5% and build into "what-if" planning. Also pay attention to notional calculations and possible use of expenditure increases in tandem with precept rises
<b>External - New Legislation</b>			
9. Outcome of current Employment Tribunal into Retained Firefighter pensions prior to April 2006	H	H	Keep in touch with Employer representatives who now expect no resolution before early 2008

Risk	Probability (High, Medium, Low)	Impact on 2007-10	Scope to Mitigate Risk
<b>Budget</b>			
10. Adequacy of existing reserves and resources to meet unexpected incidences without impacting service delivery	M	M	Policy towards reserves and provisions has been built up and, with the exception of the capital reserve, monies set aside are considered adequate but not an unnecessary burden on Council Tax. This will be reviewed throughout the year.
11. Efficiencies. Ensure efficiencies are achieved, especially those through the IRMP process	L	L	Although only included in the budget if deemed deliverable, monitor to ensure no events change the situation. Incorporate into ongoing budget monitoring
12. Transport. Vehicle accidents are an unavoidable hazard	L - M	L - M	Ensure adequate insurance is in place both for vehicles and personnel. Also, provide a sufficient reserve for risks not insured, such as premature lease settlements
13. Financial Control Risks of unplanned overspend and fraud	L	L	Maintain and update financial control systems. Ensure a risk based audit plan is in place and its recommendations are followed
14. Capital Funding Failure to deliver capital receipts, grants, contributions. Ensure the affordability of	L	L	Only commit to expenditure when funding is properly secured. Ensure financial regulations are complied with,

Risk	Probability (High, Medium, Low)	Impact on 2007-10	Scope to Mitigate Risk
borrowing at levels currently above those accepted for grant purposes			especially regarding RMB projects. Ensure Prudential Guidelines are produced, agreed and monitored.
15. Inflation assumptions prove wrong	M	M	Ensure an adequate, realistic provision is made by the Fire Authority, when it establishes its provision for unknown changes to pay and prices. Involvement of Resources Department in negotiating locally or through regional or national purchasing organisations and Human Resources on staffing issues
16. Pensions Contributions to both the Local Government Pension Scheme (LGPS) and now the Firefighters' Scheme may be volatile	L	L	Ensure actuarial advice and change is planned in consultation with the LGPS administrators and built into the medium term plans
<b>Operational</b>			
17. Operational Risks Especially technological or supply problems with IT, Telecoms equipment etc.	M	M	Ensure sufficient reserve, but develop and cost business continuity plans, including alternative sources of supply
18. Health and Safety Throughout all departments	M	M	Ensure investment is available to meet identifiable risks

# **Appendix A**

## **Prudential Indicators**

## Appendix A – Prudential Indicators

### Affordability

#### 1. Estimate of capital expenditure

Actual	2004/05	£1,188,000
Actual	2005/06	£828,000
Actual	2006/07	£1,340,000
Estimate	2007/08	£1,050,000
Estimate	2008/09	£1,035,000
Estimate	2009/10	£1,470,000

#### 2. Estimate of capital financing requirements (underlying need to borrow for a capital purpose)

Capital financing requirement at 31 March

	2005/06 Actual £000	2006/07 Estimate £000	2007/08 Estimate £000	2008/09 Estimate £000	2009/10
Capital Financing Requirement at 31 March	2,805	3,355	5,084	5,474	5,946
Annual increase in need to borrow	550	1,729	390	472	704
	3,355	5,084	5,474	5,946	6,650

In the light of current commitments and proposed plans reflected in the budget forecast, net borrowing by the Fire Authority is not expected to exceed the capital financing requirement.

#### 3. Estimate of ratio of financing costs to net revenue stream

Actual	2005/06	0.5%
Estimate	2006/07	1.6%
	2007/08	2.5%
	2008/09	3.0%
	2009/10	3.7%

**4. Estimates of the incremental impact of capital investment decisions on the council tax (over and above capital investment decisions taken in previous years)**

**Impact on Band D**

<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
<b>£</b>	<b>£</b>	<b>£</b>
1.15	1.98	3.05

**5. Operational Boundary for External Debt**

The operational boundary for debt is determined having regard to actual levels of debt, borrowing anticipated in the capital plan, the requirements of treasury strategy and prudent requirements in relation to day-to-day cash management. This level of debt is monitored by the Treasurer and managed by Shropshire County Council on a daily basis. The boundary may be exceeded but the reasons must be identified and reported as soon as possible to Members and the Fire Authority.

<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
5,275	6,005	6,750	7,765

**6. Authorised Limit for External Debt**

The authorised limit includes additional allowances, over and above the operational boundary to provide for unusual cash movements. It is a statutory limit set by the Fire Authority.

<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
5,424	8,474	8,946	9,650

**Prudence**

**7. Compliance with CIPFA Code of Practice for Treasury**

The Treasurer ensures compliance through Treasury Management Principles and Practices of the Authority and that of the supplier of Treasury Management Services, i.e. the County Council.

**8. Upper limits of fixed interest rate and variable rate exposure**

**Borrowing**

	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
Fixed interest rate exposure	100%	100%	100%	100%
Variable rate exposure	20%	20%	20%	20%

**Investment**

Fixed interest rate exposure	100%	100%	100%	100%
Variable rate exposure	100%	100%	100%	100%

**9. Upper limits for maturity structure of borrowings**

	<b>Upper Limit</b>	<b>Lower Limit</b>
	<b>%</b>	<b>%</b>
Under 12 months	30	0
12 months to 24 months	30	0
24 months and within 5 years	30	0
5 years and within 10 years	30	0
10 years and above	100	70

**10. Upper limit for principal sums invested for periods longer than 364 days**

£1,000,000

# **Appendix B**

## **Glossary of Terms**

## Appendix B – Glossary of Terms

<b>Abbreviation</b>	<b>Definition</b>
AC	Audit Commission
AES	Annual Efficiency Statement
BVPI	Best Value Performance Indicator
BVR	Best Value Review
CFA	Combined Fire Authority
CFOA	Chief Fire Officers' Association
CFS	Community Fire Safety
CIPFA	Chartered Institute of Public Finance and Accountancy
COMAH	Control of Major Accident Hazards
CPA	Comprehensive Performance Assessment
CSR07	Comprehensive Spending Review 2007
FRA	Fire and Rescue Authority
FRS	Fire and Rescue Service
FSEC	Fire Service Emergency Cover
FSS	Formula Spending Share
IRMP	Integrated Risk Management Plan/ning
IT	Information Technology
LGA	Local Government Association
LGPS	Local Government Pension Scheme
MTFP	Medium Term Financial Plan
ODPM	Office of the Deputy Prime Minister
PFI	Private Finance Initiative
PI	Performance Indicator
PWLB	Public Works Local Board
RMB	Regional Management Board
RSG	Revenue Support Grant
SFRS	Shropshire Fire and Rescue Service
SR02	Spending Review 2002
SR04	Spending Review 2004
SSA	Standard Spending Assessment
SWFA	Shropshire and Wrekin Fire Authority
SWG	Settlement Working Group
WMRMB	West Midlands Regional Management Board