



Dorset
Fire & Rescue
Service

Strengthening our fire and rescue service

Final business case

November 2014



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1 Executive summary

Strategic challenge

Whilst no-one can accurately predict the future, one thing that is widely accepted is that the future level of funding cuts to fire and rescue service looks very significant. A commonly held view within the fire sector is that this will be in the region of 22% over the four years from 2016/17, although others such as the LGA have slightly worse predictions at around 25% to 27%. This is at a time when the cost of providing the service continues to rise. Using assumptions set out in our medium term finance plan, including annual fire precept increases of 1.99%, we face an annual budget shortfall of between £2.3m and £3.2m by 2017/18, growing to between £3.2m and £4.1m in the following year. Given that we are currently in the lower quartile for grant and below average for fire precept for all CFAs in England, transformational change remains our only solution. Given the scale and speed of the required change, very significant actions are needed. In the context of a £30m budget, and an annual shortfall of £2.3m to £3.2m in 2017/18, whilst the savings could be found from a variety of measures, in crude terms, the deficit would equate to a loss of between 61 to 84 full-time firefighter posts from the 210 full-time firefighter posts currently in the Service. To date we have managed to prevent cuts to our vital front-line services through a range of measures such as vacancy management, cuts to back-office functions and working in partnership with others. This has served us well, however, it is clear that savings from support service staffing costs (which total £2.95m) alone cannot bridge the financial gap, particularly with these departments already operating with no or minimal levels of resilience.

Options for change

After exploring a wide range of future options including closer working with a range of fire and rescue service partners, we settled on three main scenarios to analyse and consult upon. These were:

- ◆ Scenario 1 - Remain independent and increase collaboration with Bournemouth Borough Council, Dorset County Council and the Borough of Poole
- ◆ Scenario 2 - Remain independent and increase collaboration with Wiltshire and Swindon Fire Authority, while also collaborating with Bournemouth Borough Council, Dorset County Council and the Borough of Poole
- ◆ Scenario 3 - Merge with Wiltshire and Swindon Fire Authority, to create a single Combined Fire Authority, while also collaborating with Bournemouth Borough Council, Dorset County Council and the Borough of Poole

NB all scenarios involve working more closely with Dorset Police and other emergency services.

The principal strategic aims to be met are:

1. Continue to be financially secure now and in the future to maintain front line services.

and in so doing ...
2. Maintain and, where possible, improve operational performance to strengthen front line services.
3. Maintain and, where possible, improve organisational performance and resilience.

Key findings against the aims of the business case

i. Continue to be financially secure now and in the future to maintain front-line services.

Scenarios 1 and 2 provide **LIKELY** case savings of between £0.56m and £1.3m, leaving remaining financial deficits in the order of £1.75m and £1m respectively by 2017/18 growing to £2.6m and £1.9m in the following year. Scenario 3 finds collective (i.e. Dorset FRS and Wiltshire FRS) **LIKELY** case savings of £4.5m, which could increase to £6m with the harmonisation of wholetime duty systems and crewing arrangements for aerial appliances across Dorset and Wiltshire. This would not involve compulsory firefighter redundancies and would maintain our current emergency response times for frontline fire engines. This would allow a balanced budget to be set in 2017/18 even under the **WORST** case savings options.

In Scenarios 1 and 2 our financial reserves available to support transformation will all be exhausted in the 2017/18 financial year. The additional savings provided by Scenario 3 mean that under the **BEST** case and **LIKELY** case savings options there would be sufficient reserves available to set a balanced budget as far as 2018/19, dependent on future fire precept levels, although there would still be a base budget gap to address. With the **WORST** case savings option an additional £0.8m of savings would be required to set a balanced budget in 2018/19, although this gap may be addressed by an initial 8.3p per week fire precept harmonisation in Wiltshire.

All three scenarios could be adversely impacted by decisions, locally or nationally, on the level of fire precept. Scenarios 1 and 2 could show additional deficits of up to £350k if the planned 2% rise for 2015/16 is not available. Further precept freezes in the following two years could see these deficits increase by up to £1m, assuming that no long-term sustainable financial support is put in place within the central grant formula. In Scenario 3 the additional deficit could be up to £650k if precept levels in both Dorset and Wiltshire for 2015/16 are not as assumed in the current medium term finance plans.

Scenario 3 will require harmonisation of fire precept levels with Wiltshire and there are 3 options for doing this. Options A and B would harmonise the fire precept in April 2016 and would require fire precept increases in Wiltshire and Swindon of between £2.91 (Option B) and £4.32 (Option A), based on current projections but would not affect the level of fire precept paid for by Dorset residents. These financial increases equate to fire precept increase of between 4.5% and 6.7%

and require Ministerial approval to stay within local referendum principles. This increase represents an additional burden of 5.6p to 8.3p per week for Band D households or up to a 0.2% increase on the total council tax burden for a Wiltshire and Swindon resident. Option C which harmonises the fire precept over a five year period, could add significantly to the financial deficit faced by the new CFA by around £196k in 2016/17 and rising to over £800k within 4 years. However, the Minister has so far been very supportive of harmonisation under Options A and B and has indeed suggested a positive route forward on this issue.

The success of the joint funding bid against the DCLG Transformation Fund, and the allocation of £5.54m of transformation funding, provides substantial support to the combination. This reduces both the financial risks during the transition period and significantly strengthens prevention and partnership opportunities within Wiltshire and Swindon.

ii. Maintain, and where possible, improve operational performance to strengthen front-line services.

The financial imperatives facing us are such that significant cost reduction must be undertaken. Change needs to be initiated quickly to achieve longer term financial sustainability. Scenarios 1 and 2 still leave significant financial gaps (£1.75m and £1m **LIKELY** case in 2017/18 (growing to £2.6m and £1.9m in the following year) and would mean that significant cuts or changes to service delivery would need to occur. Although the RRP Board and Risk Reduction Management Group have developed a number of business cases, the precise cost cutting programme would still need to be determined. Under Scenario 3, a balanced budget could be set avoiding the detrimental changes to service delivery in the two counties. We would be a more operationally resilient organisation able to take advantage of greater economies of scale. The levels of prevention activity would double across the new Authority area and we would remain a strong active partner in the community safety agenda. This change can be undertaken without the loss of local operational focus or unsettling of the public should that be desired by Members.

iii. Maintain, and where possible, improve organisational performance and resilience.

Once again, the financial imperatives are such that any cost cutting programme will further exacerbate the strain being placed upon our limited resources and the fragile levels of organisational resilience that we have in corporate support departments. Scenarios 1 and 2 could afford some opportunities to improve this, however due to the complex legal and governance issues associated with permanently sharing operational command structures, savings from a shared services relationship with Wiltshire remain limited. This means a significant financial deficit remains, inevitably necessitating a cost cutting programme with significant impacts on organisational performance and resilience. Scenario 3 requires significant changes in governance arrangements with a new Combination Order, but allows a 'fire to fire' relationship that maximises all available savings. It provides opportunities to rationalise, and strengthen, back office and corporate functions. As a larger CFA, we would be a more influential partner, with greater opportunities available to help maintain organisational performance and resilience. All scenarios provide for closer working with local authorities, the police and other partners with the ultimate aim of delivering joined up and more seamless services to the public. By avoiding cuts or adverse changes to service delivery, Scenario 3 creates the best 'fire to fire' foundation to support such a vision.

Consultation

A comprehensive public and stakeholder consultation programme was undertaken which ran for 13 weeks from the 21 July through to the 20 October 2014. This was externally validated and deemed as good practice. Whilst there have been some voices against Scenario 3, the public have overwhelmingly supported it. The main political concerns raised are the dilution of local accountability and the need to ensure a continued strong organisational performance. Staff consultation indicates that there is a general acceptance that the financial imperatives are such that transformational change is required. Whilst there are natural concerns about job security and future changes to terms and conditions, there is a majority view that Scenario 3 is the best strategic path to follow. Representative bodies have expressed a mixed and cautious response, and have echoed staff concerns about job security; the protection of terms and conditions of employment, and the need for a well-managed transition period. Unison have stated that Scenario 3 is their preferred position, with the FBU maintaining a neutral stance.

In summary, and with a number of exceptions, the overwhelming feedback from the extensive public and stakeholder consultation supports Scenario 3 on this basis that it provides for better protection of frontline services. Public support throughout Dorset, as gauged through the residents' forums and surveys, was strongly in favour of Scenario 3 being pursued.

Conclusions

In summary, it is the preference of Chief Fire Officers, Treasurers and senior management teams to support Scenario 3 and initiate a formal combination with the Wiltshire and Swindon Fire Authority. The results from the consultation exercise overwhelmingly support this view. Whilst all scenarios have their merits, Scenario 3 provides for the greatest level of financial savings. This opens up greater opportunities to allow us to protect front-line services now and in the future, improve organisational performance and resilience and be financially sustainable, potentially as far as 2018/19. This scenario will require the harmonisation of the fire precept across Dorset and Wiltshire, from April 2016, although this will mean a likely increase for Band D Wiltshire and Swindon residents of between £2.91 and £4.32 (5.6p-8.3p per week), and requires Ministerial approval - a point that the Minister has consistently been positive about. Any delay in the harmonisation of precept levels could add significantly to the financial deficit.

Scenario 3 will require considerable changes to the future governance of a new Combined Fire Authority. The new CFA would be able to operate at both a local community based level through its fire stations and would also enjoy the benefits of being a more influential partner. This change would be managed over the next three years, without the loss of local operational focus. DCLG have actively shown their support for the Combination with the allocation of £5.54m from their £75m Transformation Fund should Scenario 3 be the favoured route for both authorities.

2 Structure of the business case

This business case draws upon previous documentation presented to Members in June and brings together analysis on the scenarios that we have decided to consult upon, namely:

- Scenario 1 Scenario 1 - Remain independent and increase collaboration with Bournemouth Borough Council, Dorset County Council and the Borough of Poole
- Scenario 2 Remain independent and increase collaboration with Wiltshire and Swindon Fire Authority, while also collaborating with Bournemouth Borough Council, Dorset County Council and the Borough of Poole
- Scenario 3 Merge with Wiltshire and Swindon Fire Authority, to create a single Combined Fire Authority, while also collaborating with Bournemouth Borough Council, Dorset County Council and the Borough of Poole

NB - All scenarios involve working more closely with the police and other emergency services.

The business case is divided into four main sections:

Section 1: Provides an overview of the strategic case for reform

Section 2: Outlines the main scenarios for change. It includes an analysis of the key issues associated with:

- ◆ financial appraisal
- ◆ community safety and partnership working
- ◆ governance and legal issues
- ◆ options appraisal and risk analysis
- ◆ equality impacts
- ◆ environmental impacts

Impact and risk criteria is largely a professional judgement against criteria set out in Appendix 2.

Section 3: Sets out a high level summary of the scenarios bringing together the main arguments into a single view. The main transitional issues are included within the background documents.

Section 4: Provides a high-level summary of the consultation process that was followed and the key findings drawn from an independent report by Opinion Research Services, who we commissioned to gauge stakeholder opinion. A full and detailed report supports this business case and will be supplemented by a number of presentations.

The report then provides conclusions for Members to consider.

A number of background documents support this business case. To reduce paper and cost, the less lengthy documents have been appended to this document. Other supporting documents are being made available via the Service's website provided that they have not been classified as restricted due to their commercial or sensitive nature.

3 Strategic case for reform

As Members are acutely aware, the strategic outlook for fire and rescue services remains very uncertain. Whilst we are rightfully proud of our record and reputation, it is widely accepted that things cannot remain the same given the current financial position and forecasts facing us. At the same time as being one of the lowest funded CFAs in England (£15.57 government grant per head of population), over many years we have managed to contain increases to the fire precept (£66.60 for a Band D property, compared to £70.48 national average). This has been down to prudent financial management which has generated a number of efficiencies over the past 7 years now saving us over £4m per year.

Whilst no one can accurately predict the future, one thing that is widely accepted is that the future level of funding cuts to fire and rescue services looks very significant (in the region of 22% between 2016/17 to 2019/20). This is at a time when the cost of providing the Service continues to rise. Using assumptions set out in our medium term finance plan, we face an annual budget shortfall of between £2.3m to £3.2m by 2017/18, growing to between £3.2m and £4.1m in the following year.

For many years our policy has been to maintain our general reserves at £1.5m, a prudent working level, with our methodology and risk assessment supported by our auditors. This is not an unusual level for a CFA of our size and is considered prudent given the turbulence of external factors and the fragility of our finances. Although we have £8.9m of other reserves, these have been earmarked to cover specific known risks and liabilities. For example, £3.5m has been set aside to help fund future capital expenditure and £1.1m (increasing to £1.5m in 2014/15) is for transformation to support any agreed change. Other reserves are being held as unspent government grant including £1.3m of unused grants arising from the Networked Fire Control Services Partnership.

Given the scale and speed of the required change, significant actions are needed. In the context of a £30m budget, and an annual shortfall of £2.3m to £3.2m in 2017/18 (growing to £3.2m to £4.1m in the following year), whilst the savings could be found from a variety of measures, in crude terms, the deficit in 2017/18 would equate to a loss of between 61 to 84 full-time firefighter posts from the 210 full-time firefighters posts currently in the Service. To date we have managed to prevent cuts to our vital front-line services through a range of measures such as vacancy management, cuts to back-office functions and working in partnership with others. This has served us well; however it is clear that savings from support service staffing costs (which cost a total of £2.95m) alone cannot bridge the financial gap, particularly with these departments already operating with fragile levels of resilience.

Unlike many fire and rescue services we do not have large numbers of full-time stations. We are also operating well in excess of the 40% on-call firefighter target suggested by Sir Ken Knight in his recent report *'Facing the Future: Findings from the review of efficiencies and operations in fire and rescue authorities in England'*. Currently over 65% of our firefighters operate through on-call duty system arrangements, and they crew over 80% of our frontline appliances.

To act alone would mean cuts or adverse changes to service delivery and support departments. The greatest impacts would inevitably need to come from the greatest areas of expenditure. With a full-time duty station costing around 10 times as much as the 'pay as you go' or on-call stations, these impacts would inevitably need to be in areas served by full-time stations.

Any future strategic change needs to have three principal aims. We need to

1. Continue to be financially secure now and in the future, to maintain front line services
and in so doing ...
2. Maintain and, where possible, improve operational performance to strengthen front line services.
3. Maintain and, where possible, improve organisational performance and resilience.

The next section details the strategic options for change, drawing upon a large number of documents that have already been considered by the CFA and its associated committees.

4 Options for change

4.1 Scenario 1 - Remain independent and increase collaboration with Bournemouth Borough Council, Dorset County Council and the Borough of Poole

4.1.1 Overview

Under this scenario, we would continue as a separate organisation with our current governance arrangements. We would maintain our existing management and support arrangements, but this would not prevent us continuing to work jointly with other partners including other fire and rescue services.

4.1.2 Financial analysis

a) Revised working assumptions

The current medium term finance plan was approved by the Authority in February 2014. This sets out our current financial planning assumptions, the effects of government funding cuts, and the continuing cost pressures on the Service budget. The plan predicts an annual budget shortfall of between £2.3m and £3.2m by the 2017/18 financial year growing to £2.6m-£1.9m in the following year. Since this Plan was approved, two significant changes have arisen which affect the future funding position. These relate to pay award assumptions and the impact of the Joint Command and Control Centre. These two issues are considered further below.

- ◆ *Pay Award.* The current medium term finance plan includes an assumption that pay awards will be 2% each year. Since the Plan was approved, the pay award for all operational staff has been agreed at 1% (effective from July 2014). A similar offer (which would effective from April 2014) has been made, but as yet not accepted, for corporate staff. Despite this offer not having been accepted there seems little likelihood of the national employers agreeing to a pay award for corporate staff that would cost more than 1% overall. The difference in costs between a 1% pay award and a 2% pay award is around £220k for a full financial year. The additional savings from this pay award differential are reflected in the level of savings shown in the financial analysis for each of the business case scenarios, which show a slightly reduced funding gap as a result.
- ◆ *Joint Command and Control Centre.* In December 2013, both Fire Authorities agreed to the establishment of a Joint Command and Control Centre at Potterne. This project will continue irrespective of the decisions taken within this Final Business Case, although should Scenario 3 not be pursued in the future, Members may wish to seek additional and commercial expressions of interest to run this service from Hampshire FRS and Devon and Somerset FRS following cut over, which is anticipated to be summer 2015. The total collective savings identified for the project, £467k from 2016/17 and up to £758k from 2017/18 (subject to a further review of crewing requirements), have been included within each of the three business case scenarios. They are shown separately as savings within the financial analysis for

Scenarios 1 and 2 and in each case reflect a 50% share of the projected savings for Dorset. The savings are collectively stated for Scenario 3.

b) Ongoing revenue savings

With the revised financial assumptions indicated above, the financial gap in Scenario 1 is reduced to £1.75m by 2017/18 with our current financial forecasts showing this gap growing to £2.6m in the following year.

As Members are aware, good work has been done by the Resourcing and Reform Programme (RRP) Board and Community Risk Management Group (CRMG) over recent years. The CRMG has developed a number of business cases to downsize service delivery and support departments. In addition, at their meeting in September, the RRP Board agreed an outline Plan B strategy should the preferred position of merging with Wiltshire not be agreed. Bridging a gap of £1.75m in 2017/18 (£2.6m in the following year) would, however, mean immediate changes to frontline services. In terms of the bridging this gap the RRP Board have agreed a programme with a number of workstreams associated with support and delivery functions.

Corporate and support department workstreams

Our initial estimates indicated that corporate and back-office savings could be approximately £0.8m each year. As Members are aware, in Scenario 1 for Wiltshire FRS, Wiltshire officers have been working with directors and senior officers from Wiltshire Council, Swindon Borough Council and Wiltshire Police to explore the potential for savings from wider partnership working and sharing back-office functions. The work has also been reported through the Combination Oversight Board.

The analysis has principally centred on three main areas for potential savings, namely:

- ◆ Rationalising fire stations and premises, by exploring opportunities to work closer with local authorities and the Police.
- ◆ Back-office savings against corporate departments, through a more integrated approach between ourselves and key partners.
- ◆ Other corporate expenditure.

This work has concluded that the likely savings to Wiltshire are £0.55m including £0.1m from rationalising Potterne SHQ. Given the similarity of Wiltshire FRS in terms of its proportionate balance of spending in these areas and its high dependency on the on-call duty system, it would not be unreasonable to suggest that in strategic terms, a similar level of savings may be found should the exercise have been conducted within Dorset. Given its PFI constraints associated with SHQ, the likely level of saving would be reduced by £0.1m to £0.45m in 2017/18.

In addition to exploring closer working within Dorset, as Members are aware, Hampshire Fire and Rescue Service have helped develop a strategic alliance with their County Council and local Police Constabulary. Should the preferred option of merging with Wiltshire not be agreed then such options may be of interest to Members.

Service delivery work stream

This workstream is divided into three elements:

- (i) service delivery reduction options so far considered by CRMG

Should Scenario 3 not be approved, it is proposed that a wider analysis of fire cover arrangements in Dorset is undertaken by CRMG. Following a Members seminar in Spring 2015, we may then consult upon a wide range of options for service delivery changes.

- (ii) wholetime duty system review: crewing efficiencies;

This review was suspended pending the outcome of the combination discussions but will continue after a decision is made. Scenario 3 highlights that up to £1.5m of savings can be achieved across Dorset and Wiltshire by making best use of crewing efficiencies in the wholetime duty system and harmonising crewing arrangements for aerial appliances. This saving includes £280k that could be immediately saved in Dorset by harvesting posts above our ridership factor.

- (iii) retained duty system – improvement programme.

This duty system review has yielded some efficiencies and reinvestment savings through selective alerting and now has been widened to include a number of other components and improvements.

c) Capital savings

Our medium term finance plan includes indicative capital programme requirements up to and including 2018/19. This shows a total capital spending requirement of £11.5m supported by borrowing of up to £6.1m. The current revenue cost of financing the capital programme is approximately £1.5m pa.

As Members are aware, the RRP Board have agreed a programme of work that includes a fundamental review of the capital programme to help support the revenue position. This programme currently comprises of the following:

- ◆ Station based ICT
- ◆ Incident ground information and communications
- ◆ Breathing apparatus integrated communications
- ◆ Fire helmet replacement
- ◆ FDS Officers cars
- ◆ Mobile working including Bring Your Own Device (BYOD)
- ◆ Aerial appliances and capabilities
- ◆ Fire appliance (B type) replacement

◆ Estates management

There is a clear expectation regarding cost boundaries, with a number of options being put forward ranging from the full cost previously included in the capital programme down to an option that shows a 30% reduction in capital spend. If it is possible to achieve a 30% reduction in spending this would reduce the likely borrowing requirement by £1.8m, giving rise to potential annual revenue saving of approximately £140k. This could form part of the package of potential savings associated with bridging the financial gaps of £1.75m (2017/18) and £2.6m (2018/19).

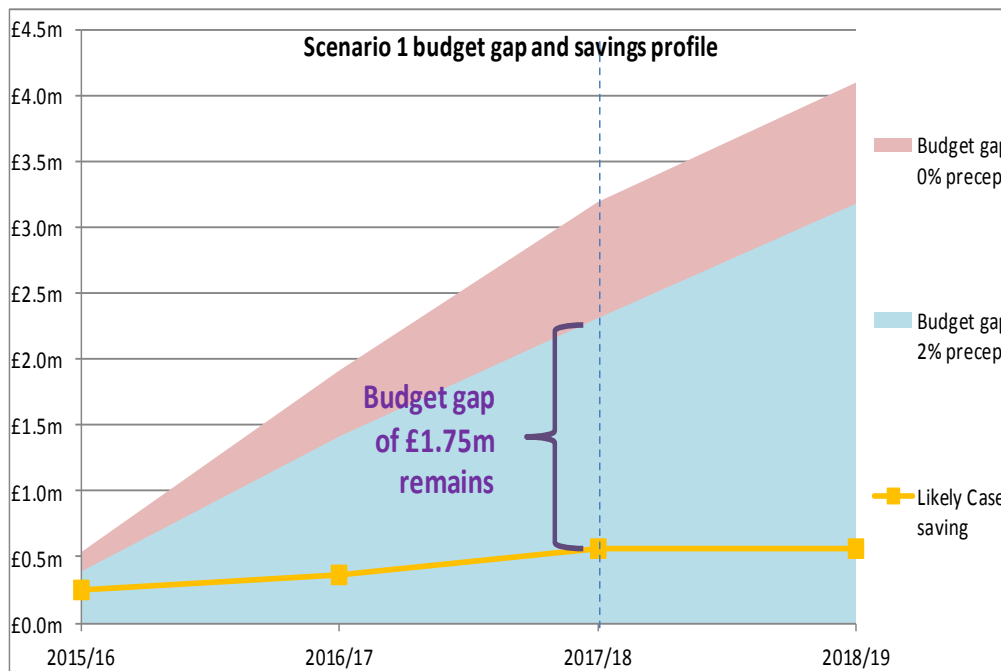
d) Transitional costs

As with all change management process, there will be transition costs. Until the package of measures have been agreed by Members to bridge the financially forecasted gap then, it is not possible to quantify these costs.

e) Financial overview

The following charts and commentary provide an overview of the revenue position associated with scenario 1.

Figure 1 Budget gap and savings profile under Scenario 1



This chart shows the funding gap faced by Dorset FRS with 0% and 2% precept increases, and savings that may be achieved under Scenario 1 - remaining independent.

Under all options a budget gap of **£1.75m** remains in 2017/18 and this would need to be addressed by the RRP.

Table 1 Financial forecast of revenue position to 2018/19 for Scenario 1

Scenario 1 - Remain independent	2015/16	2016/17	2017/18	2018/19
Funding gap with 2% precept increase	£0.391m	£1.414m	£2.309m	£3.177m
Funding gap with no precept increase	£0.538m	£1.915m	£3.190m	£4.095m

This shows the projected budget gap based on the current Medium Term Finance Plan. This is between **£2.3m** and **£3.2m** in 2017/18.

Likely Case Savings				
RRP savings programme	£0.000m	£0.000m	£0.000m	£0.000m
Joint Command & Control Centre	£0.076m	£0.189m	£0.379m	£0.379m
2014/15 pay award saving	£0.180m	£0.180m	£0.180m	£0.180m
"LIKELY" ESTIMATED SAVINGS	£0.256m	£0.369m	£0.559m	£0.559m
REMAINING BUDGET GAP - 2% PRECEPT	-£0.135m	-£1.045m	-£1.751m	-£2.619m

The LIKELY case shows that total annual savings of **£0.56m** can be achieved from 2017/18 onwards. The remaining budget gap in 2017/18 is **£1.75m**.

Balance of transformation reserves	2015/16	2016/17	2017/18	2018/19
Opening balance of reserves	£1.729m	£1.594m	£0.549m	-£1.202m
Closing balance of reserves	£1.594m	£0.549m	-£1.202m	-£3.820m

This shows the balance of reserve available for transformation after funding transition costs and then the remaining budget gap. You can see that all of these reserves are used up in 2017/18 and a further **£1.2m** would need to be found to balance the revenue budget.

KEY	£0.559m LIKELY CASE estimated savings Scenario 1
	-£1.751m Remaining LIKELY CASE Budget Gap based on 2% precept increase

f) Summary

In summary:

- ◆ Together with the pay award saving and savings from the Joint Command and Control Centre, Scenario 1 has the potential to achieve **LIKELY** case total annual savings of £0.56m.
- ◆ The remaining financial deficit that would need to be found would be £1.75m 2017/18, rising to £2.6m in the following year.
- ◆ This gap will need to be addressed through a programme of work overseen by the RRP Board. Early work has indicated that approximately £0.45m might be found from joint working with the Local Authorities and the Police, approximately £0.28m of savings could be secured by the removal of posts above our ridership factor and potential capital savings of up to £0.14m could be attained through a reduction of capital borrowing of 30%

Table 2 Financial summary (to 2017/18)	
	Scenario 1
Savings	£0.56m
Investment to support savings	not yet determined
Remaining deficit 2017/18*	£1.75m
High adverse impact (Red) £1.5m+	
Medium adverse impact (Amber) £0.5m-£1.5m	
Low (Green) adverse impact less than £0.5m	

Note. An additional £1m could arise if fire precept is frozen over the next 3 years without sustainable reflection in central grant formula

4.1.3 Impacts on community safety and partnership working

The remaining deficit in 2017/18 of £1.75m, rising to £2.6m the following year, represents a considerable financial challenge to establishing a balanced budget. This deficit could rise by a further £1m, should the fire precept be frozen over the next three years and the loss not be fully supported in the central grant formula.

Should this happen and fire stations be adversely impacted then the effect could be:

- ◆ increases in the response times in the main urban areas and across the rural areas of the county;
- ◆ reduced ability to carry out important prevention and operational pre-planning work for major risks; and
- ◆ reduced resilience for dealing with large incidents or spate conditions.

Partnership working would need to be more restricted due to the limited resources remaining and would have to focus on core operational activities and high risk fire prevention work only.

Making these changes could also place additional reliance on the remaining, mainly on-call personnel. Dorset already employs a very high proportion of on-call firefighters (over 65%) who operate over 80% of our front-line appliances. As Members are acutely aware, there are often extreme difficulties in recruitment and retention in the retained duty system and it is not easy to increase the number of these firefighters in the Service.

Table 3 Community safety and partnership working impact rating	
	Scenario 1
Financial	<i>LIKELY</i> case
Main issues	Significant financial deficit remains (£1.75m in 2017/18, rising to £2.6m the following year) threatening service delivery and viable partnership arrangements
Adverse impact rating High adverse impact (Red) £1.5m+ Medium adverse impact (Amber) £0.5m- £1.5m Low (Green) adverse impact less than £0.5m	H

4.1.4 Governance and legal issues

Under this scenario, we would retain the same governance arrangements and levels of democratic accountability. The CFA would continue to exercise its strategic control and statutory responsibilities in the same way as it does now. Given the long-term reliance placed upon future

collaboration or integration between partners, it would be prudent for clear and accountable arrangements to be in place. Given the extreme financial pressures on all parties, and as a stand-alone Authority with its own statutory responsibilities, it would therefore be necessary to ensure that formal arrangements with other organisations are bounded by Service Level Agreements (SLA) drawn up around commonly agreed specifications. In this way, we could assure ourselves that clear performance and financial expectations would be in place and able to be scrutinised. In addition, and through these agreements, liabilities and risks could be more formally determined and made transparently accountable. Future investment programmes associated with joint buildings, facilities and services may also be potentially vulnerable to wider financial pressures. This would necessitate careful management of SLAs and senior political engagement in constituent authority capital programmes may be required.

In summary:

Table 4 Governance and legal impact rating	
	Scenario 1
Main issues	No fundamental change to existing governance arrangements. Additional oversight required to support joint working. Complexity of steady state governance and legal arrangements dependent upon level of outsourcing or partnership working
Adverse impact rating	M

4.1.5 Risk analysis

A detailed risk analysis has been undertaken and can be found in the *Background documents* available on the Service's website. The principal risks arise from the significant financial gap that remains in 2017/18. The key risks are associated with steady state and transitional arrangements and have been categorised into four principal areas namely:

- ◆ Service delivery
- ◆ Governance and legal
- ◆ Reputation
- ◆ Transition

The principal risks against these categories are as detailed below:

Table 5 Principal risks to achieve a balanced budget in 2017/18		IMPACT
Service delivery	<ul style="list-style-type: none"> ◆ Potential cuts to front-line stations and loss of firefighters posts ◆ Potential cuts to prevention and protection activities ◆ Increased response times resulting from potential downgrading of stations ◆ Reduced partnership working resulting from less firefighters, staff and resources ◆ Operational resilience could be reduced if firefighter numbers reduce ◆ Organisational resilience in corporate areas would be significantly reduced as specialist staff are lost ◆ Greater reliance upon on-call firefighters further exacerbating current recruitment and retention issues 	H
Governance and legal	<ul style="list-style-type: none"> ◆ Existing governance arrangements would prevail ◆ Future cuts to local government and police may have an impact on joint delivery arrangements and future programmes requiring greater political influence from CFA ◆ Formal Service Level Agreements and monitoring arrangements would be required to oversee joint delivery arrangements with local authorities and the police ◆ Potential for decline in quality of support services particularly during transition due to the peculiarities of the fire service (i.e. differing scheme of conditions of service) ◆ Reduced ability and flexibility to respond to dynamic changes that were unforeseen or contained within SLA 	M
Reputation	<ul style="list-style-type: none"> ◆ Adverse public reaction to potential cuts in service delivery ◆ Adverse reaction from partners as attendance and commitments to joint work is potentially cut back ◆ Worsening industrial relations should stations become adversely impacted and staff redundancies initiated ◆ Reduced quality of service delivery 	H
Transition	<ul style="list-style-type: none"> ◆ Scenario 1 would mean a loss of transformation grant from DCLG and any transformation would need to be supported from existing funds ◆ Poor staff morale due to potential downgrading of service delivery and staff redundancies ◆ Loss of key skills and expertise as specialist staff leave to secure improved employment prospects ◆ Technical change associated with back-office integration could be complex as fire, councils and police have different systems, policies and operating models 	H

4.1.6 Equality issues

A People Impact Assessment has been undertaken in accordance with statutory requirements and procedure. The principal impacts arise from the cuts to frontline service delivery required to set a balanced budget in 2017/18. Although the precise nature of the cuts have yet to be determined, any cost cutting programme may result in a reduced capacity to carry out prevention work carried out by wholetime/on-call firefighters and corporate staff, which has contributed to a reduction in fires, fire deaths and road traffic collisions over the past years. Potential reductions in frontline staff or downgrading of stations could result in an increase in response times to fires and incidents. All protected characteristics (especially Age/Disability) and those living in vulnerable premises

(such as thatched properties or areas prone to flooding) could be adversely impacted. This could put the vulnerable within our society at greater risk. The potential need to reduce corporate staff numbers may lead to compulsory redundancies, increased workload for remaining staff and a lack of opportunity to progress within the organisation. . In terms of Gender there could be reduced opportunities for posts available for flexible and part-time working the majority of which are occupied by women. In terms of the remaining protected characteristics under the Equality Act 2010, the main impacts are:

Table 6 Principal equality impacts to achieve a balanced budget in 2017/18		
Protected characteristic	Impacts	Impacts
Age	<ul style="list-style-type: none"> ◆ Potential reduction in staff numbers could result in a reduction in the number of Home Fire Safety Checks the Service could provide. This could have an adverse effect on the over 65s, families with children under 5 and people living alone. ◆ This could reduce capacity to run the Safe Drive, Stay Alive programme educating young people about road safety and the consequences of bad driving. ◆ There could be a reduced capacity to run SPARC and Fire Cadet courses for young people and families ◆ There could be a reduced capacity to undertake our schools programme 	H
Race/ethnicity	<ul style="list-style-type: none"> ◆ Community engagement activity could reduce, having an adverse effect on the work the Service does in diverse communities and impacting upon our ability to fulfil our public sector equality duty to foster good community relations 	H
Disability	<ul style="list-style-type: none"> ◆ A potential reduction in Home Fire Safety checks, and other prevention programmes could have an adverse effect on those with disabilities ◆ Reduced funding and cuts may also impact upon the Service's ability to ensure that all Fire Service premises are compliant with the access requirements under the Equality Act 2010 	H

4.1.7 Environmental issues

An Environmental Impact Assessment has been undertaken. The principal impact arises from the cuts to front-line service delivery required to set a balanced budget in 2017/18. Although the precise nature of the cuts have yet to be determined, any cost cutting programme would inevitably result in a reduced capacity to carry out prevention work to reduce fires, and road traffic collisions. The potential reduction in front-line staff or downgrading of stations could result in an increase in response times to fires and incidents. This could lead to fires burning longer with significantly more carbon released to the environment.

Impacts	Impact
<ul style="list-style-type: none"> ◆ More fires as capacity for prevention activities reduce ◆ Longer response times will lead to fires burning longer with greater environmental damage ◆ Waste associated with fires will increase ◆ More RTCs as capacity for prevention activities reduces ◆ Waste and run-off arising from RTCs may increase ◆ Reduced ability to strategically consider and manage environmental policies and procedures as management capacity reduces ◆ Increased flood and water rescues 	H

4.1.8 Summary

As outlined earlier, it is important that our decisions around strategic change consider three broad aims, namely:

1. Continue to be financially secure now, and in the future to maintain frontline services.
and in so doing..
2. Maintain, and where possible improve, operational performance to strengthen frontline services.
3. Maintain, and where possible improve, organisational performance.

The advantages and disadvantages of Scenario 1 against these business case aims and the need to set a balanced budget in 2017/18 are summarised below:

Table 8 Options appraisal against business case aims

WE NEED TO CONTINUE TO BE FINANCIALLY SECURE NOW AND IN THE FUTURE TO MAINTAIN FRONT-LINE SERVICES	
Advantages	Disadvantages
Some budgetary savings could be realised from support functions, capital savings and the harvesting of post above the ridership factor	<p>By only partially addressing the financial deficit (£1.75m savings still to be found in 2017/18, rising to £2.6m the following year), reductions to service delivery would be inevitable depending on the programme selected by Members</p> <p>Other savings would be long-term, potentially outstripping existing reserves</p> <p>Considerable technical and operational cashable efficiencies will not be available, as specialist fire staff and flexi-duty officers cannot be rationalised with local authorities</p>

WE NEED TO MAINTAIN, AND, WHERE POSSIBLE, IMPROVE OPERATIONAL PERFORMANCE TO STRENGTHEN FRONT-LINE SERVICES	
Advantages	Disadvantages
<p>There may be some technical areas whereby operational performance could be increased, e.g. communications</p> <p>Closer working with local authorities and police would improve the effectiveness of service delivery through more joined up working particularly in the prevention programmes</p> <p>Further opportunities for additional co-location are being actively discussed and could be further exploited to deliver improved effectiveness and reduced costs</p>	<p>Significant cuts to frontline resources could mean longer emergency response times as stations are downgraded or potentially closed. This would place a greater reliance on the recruitment of on-call firefighters and further exacerbate an already worrying risk</p> <p>Partnerships could be significantly impacted as resources are cut, meaning that the Service would no longer be able to lead, or potentially contribute to, key programmes</p> <p>Future opportunities such as fleet rationalisation of specialist appliances, e.g. incident command units, aerial appliance, may not be realisable under this Scenario</p> <p>Technical support specific to fire would not be available through local authority arrangements</p>

WE NEED TO MAINTAIN, AND, WHERE POSSIBLE, IMPROVE ORGANISATIONAL PERFORMANCE	
Advantages	Disadvantages
<p>Scope for some savings through the rationalisation of fire, local authority and police delivery and staffing structures</p> <p>Synergies between fire, local authorities, and police exist in many corporate areas such as HR, ICT and finance, giving rise to some financial savings Further synergies could be secured in some specialist areas such as education programmes and general community work to reduce duplication and improve the joint provision and delivery points</p> <p>More resilience in back office functions may arise</p> <p>Local identity and existing control would be maintained and not shared with others</p>	<p>Reduced ability to undertake meaningful proactive partnership working in areas such as community safety as a significant financial deficit still arises (£1.75m to £2.75m - dependent on future fire precept increases)</p> <p>Significant cuts to service delivery could be necessary due to the significant outstanding financial deficit</p> <p>There is the potential for costs in some back-office areas to increase through buying into larger systems and frameworks</p> <p>Limited future technical and operational savings would be available from local authorities and police as they do not have comparable legislative requirements or organisational competence to manage complex fires and other emergency incidents</p> <p>Resilience in technical support and specialist areas would remain a cause of concern</p> <p>Less political influence and 'say' at regional and national level as we still remain one of the smallest CFAs in England</p>

Clearly there are many synergies between fire authorities, local authorities and the police that would give rise to some savings. More joined up service delivery arrangements, involving the local authority partners and the police, will improve the effectiveness of the services provided to the public. However, it is also clear that the opportunity for maximising technical and operational financial savings is substantially reduced. A significant financial gap of £1.75m in 2017/18, rising to £2.6m the following year, could not be bridged without adverse changes or cuts to service delivery. The scale and pace of change to achieve a balanced budget would be significant, causing considerable political, organisational and financial tensions dependent upon the programme chosen by Members.

4.2 Scenario 2 - Remain independent and increase collaboration with Wiltshire and Swindon Fire Authority, while also collaborating with Bournemouth Borough Council, Dorset County Council and the Borough of Poole

4.2.1 Overview

This scenario involves establishing some shared service provision with Wiltshire and Swindon Fire Authority, whilst enhancing collaboration with Bournemouth Borough Council, Dorset County Council, the Borough of Poole and Dorset Police. The main focus of this analysis involves these key parties, but does not undervalue or imply that existing partners and partnerships would not be strengthened. Under this scenario, we would continue as a separate Authority and operate under the same governance arrangements that currently exist. The main areas for sharing between the two Services would be non-operational resources and staff. This is because of the complex legal and operational issues associated with sharing operational response capabilities. For example, if the two Services permanently shared flexi-duty officers and a large incident was occurring, involving significant operational resources, and simultaneously another major incident occurred in Wiltshire, there would be questions in respect of primary, priority and local accountability. How would each Fire Authority meet its statutory obligations under the Fire and Rescue Services Act? Although many services do share temporary resources through Section 13 and 16 arrangements under the Act, there are no examples where fire and rescue services have permanent large-scale operational resource sharing arrangements in place.

As a separate authority we maintain our current arrangements with Dorset County Council (DCC) for the provision of a Treasurer and Clerk, however, shared services with Wiltshire would impact on a number of the other contracts that we have with DCC, mainly for financial services support. In all likelihood we would need to share a common financial information system with Wiltshire and other aspects of financial support currently provided by DCC would be provided by an in house shared finance team.

There may be some opportunity for Dorset County Council to provide services to both FRAs. Functions currently contracted to DCC, such as payroll and pension administration and insurance and claims handling, would continue as external contracts and could be tendered on a joint basis by ourselves and Wiltshire.

4.2.2 Financial analysis

a) Ongoing revenue savings

Under Scenario 2, both Authorities would be more discerning regarding those functions they identified for sharing, both in terms of efficiency (financial gains), and effectiveness (performance gains). This would result in a piecemeal approach where Authorities probably could not legally enter into arrangements, where on a case by case basis there is not an individual net increase in efficiency, effectiveness or both. This loose arrangement would also result in both Authorities

benchmarking each functional area with other public service and commercial providers. The result would be a tangled arrangement contained and constrained by legal agreements and relationships fraught with contract management indicators and monitoring. In this Scenario, therefore, not all of the savings available through combination can be achieved, and they are restricted to traditional back office functions such as HR and Finance. The combination savings that can be achieved in statutory functions such as prevention and protection, as well as the significant savings arising from a rationalisation of the flexi-duty officer arrangements, are not available. The savings that can potentially be achieved through shared services with Wiltshire FRS are shown in the table below.

Table 9 Savings falling with Dorset CFA under Scenario 2		
	Dorset FRS Base Cost £'000	Total shared services cost £'000
Asset management	4,130	7,498
Learning & development	1,040	1,919
Human resources	648	920
Finance	293	418
ICT	1,337	2,956
Other functional areas	946	1,735
TOTALS	8,394	15,446
Dorset FRS 50% share of cost	7,723	
Dorset FRS LIKELY saving	671	

In addition to the above, savings of up to £100k in total have been assumed against senior management costs, and shared on a 50:50 basis. This brings our share of total savings from shared services to a **LIKELY** case level of £721k. Using a variance factor of +/- 15% the **WORST** case savings would be £610k and **BEST** case savings would be £832k.

The level of savings identified above, along with the savings from the pay award and Joint Command and Control Centre, total £1.3m **LIKELY** case. This leaves a remaining financial gap of £1m in 2017/18, rising to £1.9m the following year, and this would need to be addressed by a programme of work overseen by the RRP Board as outlined in Scenario 1.

b) Capital savings

In addition to the savings identified in Scenario 1 there could be some additional economy of scale savings associated with procuring vehicles and equipment using common specifications, however, these are believed to be marginal as we already purchase from national framework agreements. However, capital savings have not been assumed as the precise nature and timing of the programme has not been agreed.

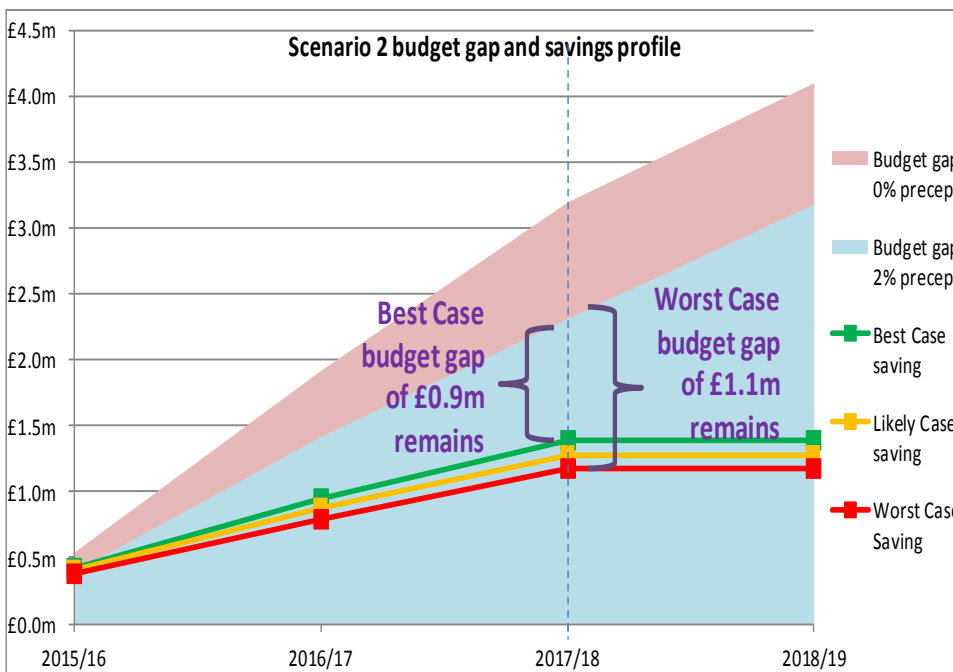
c) Transitional costs

In terms of transition costs, the costs of redundancy and ICT systems harmonisation would be broadly similar in Scenario 2 to those identified in Scenario 3, although potential management redundancy costs would be avoided. The other one-off transition costs identified in Scenario 3, such as branding and uniform, and cultural harmonisation programmes, would not be incurred. Any transition costs would be shared equally between the two FRAs. The £5.54m of funding that has been allocated from the £75m DCLG Fire Transformation fund is provisional and dependent on Scenario 3 being agreed. Should one or both fire authorities not agree to the combination scenario, further discussions would be required with DCLG to explore any potential to reapply for, or seek their continued funding support. On the basis that the value for money impacts would be significantly reduced, it is entirely possible that DCLG could withdraw all or most of the allocated funding, requiring the Fire Authority to undertake additional borrowing to continue supporting the bid projects. Each additional £1m borrowed would cost around £75k each year in additional revenue budget costs, adding to the forecast deficit figures.

d) Financial overview

The following chart and associated table provides an overview of the revenue position associated with scenario 1.

Figure 2 Budget gap and savings profile associated with Scenario 2



This chart shows the funding gap faced by Dorset FRS with 0% and 2% precept increases, and the BEST, WORST and LIKELY case savings that may be achieved under Scenario 2 - Shared Services.

The BEST case saving leaves a budget gap of **£0.9m**, to be addressed through the RRP.

WORST case leaves a budget gap of **£1.1m**.

Table 10 Financial forecast of revenue position to 2018/19 for Scenario 2

Scenario 2 - Shared Services	2015/16	2016/17	2017/18	2018/19
Funding gap with 2% precept increase	£0.391m	£1.414m	£2.309m	£3.177m
Funding gap with no precept increase	£0.538m	£1.915m	£3.190m	£4.095m

This shows the projected budget gap based on the current Medium Term Finance Plan. This is between **£2.3m** and **£3.1m** in 2017/18.

Transition Costs				
Redundancy Costs	£0.117m	£0.117m	£0.000m	£0.000m
ICT System Harmonisation Costs	£0.093m	£0.109m	£0.025m	£0.000m
Other one off transition costs	£0.000m	£0.000m	£0.000m	£0.000m
ESTIMATED ONE OFF COSTS	£0.210m	£0.226m	£0.025m	£0.000m
TOTAL COSTS	£0.460m			

This shows the expected transition costs required to achieve the annual savings detailed below. The transition costs total an estimated **£0.46m**, and could be funded from the Business Transformation reserve.

Likely Case Savings				
Shared Services savings	£0.144m	£0.505m	£0.721m	£0.721m
RRP savings programme	£0.000m	£0.000m	£0.000m	£0.000m
Joint Command & Control Centre	£0.076m	£0.189m	£0.379m	£0.379m
2014/15 pay award saving	£0.180m	£0.180m	£0.180m	£0.180m
"LIKELY" ESTIMATED SAVINGS	£0.400m	£0.874m	£1.280m	£1.280m
REMAINING BUDGET GAP - 2% PRECEPT	£0.009m	-£0.540m	-£1.030m	-£1.898m

The LIKELY case shows that total annual savings of **£1.3m** can be achieved from 2017/18 onwards. The remaining budget gap in 2017/18 is **£1m**.

Best Case Savings				
Shared Services savings	£0.166m	£0.582m	£0.832m	£0.832m
RRP savings programme	£0.000m	£0.000m	£0.000m	£0.000m
Joint Command & Control Centre	£0.076m	£0.189m	£0.379m	£0.379m
2014/15 pay award saving	£0.180m	£0.180m	£0.180m	£0.180m
"BEST CASE" ESTIMATED SAVINGS	£0.422m	£0.952m	£1.391m	£1.391m
REMAINING BUDGET GAP - 2% PRECEPT	£0.031m	-£0.462m	-£0.919m	-£1.787m

The BEST case shows that total annual savings of **£1.4m** can be achieved from 2017/18 onwards. The remaining budget gap in 2017/18 is **£0.9m**.

Worst Case Savings				
Shared Services savings	£0.122m	£0.427m	£0.610m	£0.610m
RRP savings programme	£0.000m	£0.000m	£0.000m	£0.000m
Joint Command & Control Centre	£0.076m	£0.189m	£0.379m	£0.379m
2014/15 pay award saving	£0.180m	£0.180m	£0.180m	£0.180m
"WORST CASE" ESTIMATED SAVINGS	£0.378m	£0.796m	£1.169m	£1.169m
REMAINING BUDGET GAP - 2% PRECEPT	-£0.013m	-£0.618m	-£1.141m	-£2.009m

The WORST case shows that total annual savings of **£1.2m** can be achieved from 2017/18 onwards. The remaining budget gap in 2017/18 is **£1.1m**.

Balance of transformation reserves	2015/16	2016/17	2017/18	2018/19
Opening balance of reserves	£1.800m	£1.599m	£0.834m	-£0.221m
Closing balance of reserves	£1.599m	£0.834m	-£0.221m	-£2.118m

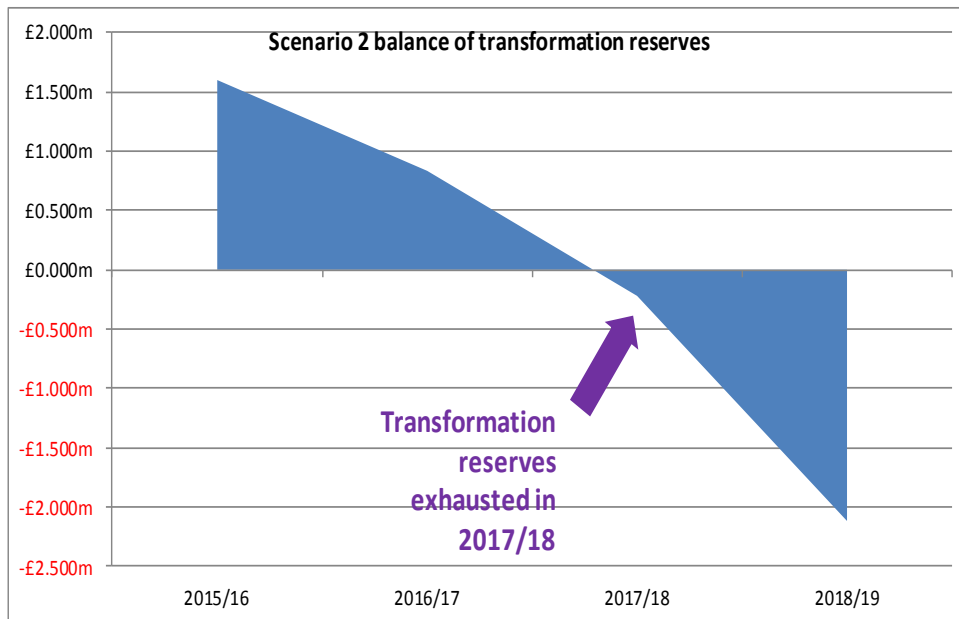
This shows the balance of reserve available for transformation after funding transition costs and then the remaining LIKELY budget gap. You can see that all of these reserves are used up in 2017/18 and a further **£0.2m** would need to be found to balance the revenue budget.

KEY		
	£1.280m	LIKELY CASE estimated savings Scenario 2
	-£1.030m	Remaining LIKELY CASE Budget Gap based on 2% precept increase
	£1.391m	BEST CASE estimated savings Scenario 2
	-£0.919m	Remaining BEST CASE Budget Gap based on 2% precept increase
	£1.169m	WORST CASE estimated savings Scenario 2
	-£1.141m	Remaining WORST CASE Budget Gap based on 2% precept increase

e) Reserves

In the shared services scenario, each authority would maintain its own strategy for reserves and balances. Agreement would need to be reached on a cost sharing arrangement for the one off costs of transition, such as redundancy costs. The additional £0.6m of reserve funding available in Scenario 3 could not be achieved in a shared services arrangement.

Figure 3 Use of reserves to support change under Scenario 2



This chart shows how the Business Transformation reserve and surplus general balances would be used in Scenario 2 - Shared Services.

All of these reserves would be spent by 2017/18.

Other savings of **£0.2m** would need to be found to balance the 2017/18 **LIKELY** revenue budget.

The Business Transformation Reserve could be available to support transition costs associated with closer working with Wiltshire and local partners in Dorset. Without any further significant savings being found, all of these reserves would be consumed by 2017/18 to pay for transition costs and support the base budget. The use of general reserves and earmarked reserves would further increase risks to the Authority.

f) Summary

In summary:

- ◆ Closer working with Wiltshire could provide annual savings on our budget of up to maximum optimistic level of £0.8m, with the **LIKELY**, more reliable savings being £0.7m.
- ◆ Together with the pay award saving and savings from the Joint Command and Control Centre, Scenario 2 has the potential to achieve **BEST** case total annual savings of £1.4m, with the **LIKELY** total saving being £1.3m.
- ◆ The remaining funding gap that would need to be found through the Resourcing and Reform Programme would be between £0.9m and £1.1m in 2017/18, rising to between £1.8m and £2m the following year.

- Existing financial reserves would almost certainly be exhausted by 2017/18. Other savings of £0.2m would be required by 2017/18 to balance the **LIKELY** revenue budget. The use of general reserves and earmarked reserves would further increase risks to the Authority

Table 11 Financial summary (2017/18)			
	Scenario 2		
Savings	Best £1.4m	Likely £1.3m	Worst £1.2m
Investment	£0.46m		
Remaining deficit 2017/18 High (Red) £1.5m+ Medium (Amber) £0.5m-£1.5m Green (Low) less than £0.5m	Best £0.9m	Likely £1m	Worst £1.1m

Note. An additional £1m could arise if fire precept is frozen over the next 3 years without sustainable reflection in central grant formula

4.2.3 Impacts to community safety and partnership working

This scenario allows for back office efficiencies to be realised, whilst capitalising on savings and improvements arising from closer working with local authorities and the police. As such, it generates some additional savings compared to Scenario 1. However, a financial **LIKELY** case deficit of £1m remains, which could require cuts to front-line services. Should this happen then the effect could be:

- increases in the response times in the main urban areas and across the rural areas of the county;
- reduced ability to carry out important prevention and operational pre-planning work for major risks; and
- reduced resilience for dealing with large incidents or spate conditions.

Table 12 Community safety and partnership working impact rating		
	Scenario 2	
Financial	BEST case	WORST case
Main issues	Financial deficit of £0.9m remains in 2017/18, rising to £1.8m the following year, after savings have been realised, potentially leading to cuts to service delivery and loss of viable partnership arrangements	Financial deficit of £1.1m remains in 2017/18, rising to £2m the following year, after savings have been realised, potentially leading to cuts to service delivery and loss of viable partnership arrangements
Adverse impact rating	M	M

4.2.4 Governance and legal issues

Sharing of non-operational resources can, and does, occur throughout the UK. Many district councils and other public bodies have single management structures, but retain their existing governance arrangements and local identities. Due to the complexities over risks and liabilities, we would wish to limit any joint service arrangements to non-operational areas (e.g. ICT, finance, HR, training etc.), whilst continuing with the temporary sharing of operational resources in spate conditions under section 13 and 16 agreements provided for under the Fire and Rescue Services Act 2004. Given the extreme financial pressures on all parties and the long-term reliance placed upon future collaboration or integration between Wiltshire and local partners, it would be prudent for clear and accountable arrangements to be in place. Joint delivery arrangements with other organisations should be bounded by an overarching partnership agreement supported by Service Level Agreements (SLAs) drawn up around commonly agreed specifications. In this way, we could assure ourselves that clear performance and financial expectations would be in place and able to be scrutinised.

Whilst a formal partnership agreement between us and Wiltshire will yield considerable advantages, there are a number of significant disadvantages. With delivery teams reporting to two Authorities, with their own separate legal identities, and managing two capital and revenue budgets (and receiving differing levels of grant income and cuts), senior officer time will be used inefficiently. Should either Authority wish to differ on key policy issues, this would create further complexity and the need for additional financial management and transparency. Lower financial savings on many corporate contracts and arrangements would also occur as two legal entities would remain.

Table 13 Governance and legal impact rating	
	Scenario 2
Main issues	No fundamental change to existing governance arrangements. Additional oversight required to support joint working. Complexity of steady state governance and legal arrangements dependent upon level of outsourcing or partnership working
Adverse impact rating	M

4.2.5 Risk analysis

A detailed risk analysis has been undertaken and can be found in the *Background documents* available on the Service's website. The principal risks arise from the financial gap that remains in 2017/18, after further corporate savings have been realised. The key risks are associated with steady state and transitional arrangements and have been categorised into four principal areas namely:

- ◆ Service delivery.
- ◆ Governance and legal.
- ◆ Reputation
- ◆ Transition

The principal risks are:

Table 14 Principal risks to achieve a balanced budget in 2017/18		Rating	
		BEST case	WORST case
Service delivery	<ul style="list-style-type: none"> ◆ Potential cuts to front-line stations and loss of firefighter posts ◆ Potential cuts to prevention and protection activities ◆ Increased response times resulting from potential down-grading of fire stations ◆ Reduced partnership working resulting from potentially less firefighters, staff and resources ◆ Operational resilience could be significantly reduced if firefighter numbers are reduced, although organisational resilience in some areas such as health and safety and corporate communications could be improved as the Services would now share specialist staff ◆ Greater reliance on on-call firefighters further exacerbating current recruitment and retention issues 	M	M
Governance and legal	<ul style="list-style-type: none"> ◆ Existing governance arrangements would prevail, although political and managerial oversight of joint functions would be required ◆ Future cuts to local government and police may have an impact on joint delivery arrangements and future programmes requiring greater political influence from CFA ◆ Potential for decline in quality of support services particularly during transition due to the peculiarities of the fire service (i.e. differing scheme of conditions of service) ◆ Reduced ability and flexibility to respond to dynamic changes that were unforeseen or contained within SLA 	M	M
Reputation	<ul style="list-style-type: none"> ◆ Adverse public reaction to potential cuts in service delivery ◆ Adverse reaction from partners as attendance and commitments to joint work is cut back ◆ Worsening industrial relations should stations become adversely impacted and staff redundancies initiated 	H	H
Transition	<ul style="list-style-type: none"> ◆ Reserves would need to be relied upon for transition as DCLG bid could not be guaranteed as it is associated with combination and large scale savings and return on investments ◆ Poor staff morale should service delivery be downgraded and staff redundancies occur ◆ Loss of key skills and expertise as specialist staff leave to secure improved employment prospects ◆ Technical change associated with back-office integration as fire, councils and police have different systems, policies and operating models. Fire to fire integration would be quicker and more easily understood. 	H	H

4.2.6 Equality issues

A People Impact Assessment has been undertaken. The principal impacts arise from the cuts to frontline service delivery that may be required to set a balanced budget in 2017/18. Although the precise nature of the cuts have yet to be determined, any cost cutting programme of the order of £0.9m to £1.1m will inevitably result in a reduced capacity to carry out prevention work carried out by wholtime/on-call firefighters and corporate staff, which has contributed to a reduction in fires, fire deaths and road traffic collisions over the past years. The potential need to reduce corporate staff numbers may lead to compulsory redundancies, increased workload for remaining staff and a

lack of opportunity to progress within the organisation. . In terms of Gender there could be reduced opportunities for posts available for flexible and part-time working the majority of which are occupied by women. In terms of the remaining protected characteristics under the Equality Act 2010, the main impacts are:

Table 15 Principal equality impacts to achieve a balanced budget in 2017/18			
Protected characteristic	Impact	Impact	
		<i>BEST</i> case	<i>WORST</i> case
Age	<ul style="list-style-type: none"> ◆ Reduced staff numbers could result in a reduction in the number of Home Fire Safety Checks the Service could provide. This may have an adverse effect on the over 65s, families with children under 5 and people living alone ◆ There will be reduced capacity to run, the Safe Drive, Stay Alive programme educating young people about road safety and the consequences of bad driving ◆ There will be reduced capacity to run SPARC and Fire Cadet courses for young people and families. ◆ There will be reduced capacity to undertake, our schools programmes 	M	M
Race/ethnicity	<ul style="list-style-type: none"> ◆ Community engagement activity could reduce having an adverse effect on the work the Service does in diverse communities and impacting upon our ability to fulfil our public sector equality duty to foster good community relations 	M	M
Disability	<ul style="list-style-type: none"> ◆ A potential reduction in Home Fire Safety checks, and other prevention programmes could have an adverse effect on those with disabilities ◆ Reduced funding and cuts may also impact upon the Service's ability to ensure that all Fire Service premises are compliant with the access requirements under the Equality Act 2010 	M	M

4.2.7 Environmental issues

An Environmental Impact Assessment has been undertaken and is available on the Service's website. The principal impacts arise from the potential cuts to frontline service delivery that may be required to set a balanced budget in 2017/18. Although the precise nature of the cuts have yet to be determined, any cost cutting programme, even under the **BEST** case savings case in 2017/18, will inevitably result in a reduced capacity to carry out prevention work to reduce fires, and road traffic collisions. This may be partially offset by closer working with partners and Wiltshire. The level of reduction in frontline staff or downgrading of stations is dependent on the programme of cuts which could lead to an increase in response times to fires and incidents. This may lead to fires burning longer with significantly more carbon released to the environment. However, the net environmental effect under this Scenario will be less than in Scenario 1 due to the reduced financial deficit.

Table 16 Principal environmental impacts of establishing a balanced budget in 2017/18			
		Impact	
		<i>BEST</i> case*	<i>WORST</i> case
<ul style="list-style-type: none"> ◆ More fires, as capacity for prevention activities reduces. Under best case, there could be some economies of scale due to sharing of prevention teams, policies and procedures. ◆ Longer response times mean that fires will burn for longer with greater carbon emissions, more water required to extinguish them, more resources required to put them out, more demolition and reconstruction work required post-fire and greater possibility of groundwater contamination and contamination of land due to fire residues. ◆ More road traffic collisions due to reduced capacity for prevention activities. Waste arising from RTCs may increase. ◆ Reduced ability to strategically consider and manage environmental policies and procedures as management capacity reduces, although joint working and sharing of approaches may offset reductions in strategic capacity. ◆ Reduced ability to respond to the effects of climate change such as flooding and severe weather both locally and in support of national resilience. ◆ Reduced ability to carry out community work to reduce the effects of climate change such as flooding and severe weather. ◆ Some duplication of resources, but not to the extent of Scenario 1. 		M	M

4.2.8 Summary

As outlined earlier, it is important that our decisions around strategic change consider three broad business case aims, namely:

1. Continue to be financially secure, now and in the future, to maintain front line services.
and in doing so....
2. Maintain, and where possible, improve operation performance to strengthen front line services.
3. Maintain, and where possible, improve organisational performance.

The advantages and disadvantages of this scenario against these aims are summarised below:

Table 17 Options appraisal against business case aims

WE NEED TO CONTINUE TO BE FINANCIALLY SECURE, NOW AND IN THE FUTURE, TO MAINTAIN FRONT-LINE SERVICES	
Advantages	Disadvantages
<p>Some budgetary savings could be realised (£1.2m to £1.4m), to make up some of the predicted financial shortfall (£2.3m in 2017/18, rising to £3.2m in 2018/19).</p> <p>Capital improvement costs could be shared, yielding some savings</p> <p>Fire to fire savings in non-operational areas would be quicker to be realised</p> <p>Some economies of scale could be realised from fire to fire expenditure</p>	<p>Two budgets, and sometimes complex cost apportionment across the authorities, when policy positions differ or financial circumstances change</p> <p>Lower financial savings on corporate contracts and arrangements</p> <p>Different levels of reserves and financial plans</p> <p>By only partially addressing the financial deficit (£2.3m in 2017/18, rising to £3.2m in 2018/19) further reductions to service delivery would be inevitable</p> <p>Significant further potential annual savings will not be available, as specialist fire staff and flexi-duty officers cannot be rationalised with local authorities</p>

We need to maintain, and where possible, improve operational performance to strengthen front-line services.	
Advantages	Disadvantages
<p>There will be a number of non-operational technical areas where operational performance could be increased, e.g. communications, policy, operational training</p> <p>Closer working with Wiltshire, local authorities and police could improve the effectiveness of service delivery through more joined up working</p> <p>Some future opportunities, such as fleet rationalisation of specialist appliances, e.g. incident command units, aerial appliances; may be realisable</p> <p>Further opportunities for additional co-location are being actively discussed and could be further exploited with the police and ambulance services and others, to deliver improved effectiveness and reduced costs</p>	<p>Reduced ability to undertake meaningful proactive partnership working in areas such as community safety as a financial deficit still arises (£1m LIKELY case in 2017/18, rising to £1.9m the following year)</p> <p>Potential savings and harmonisation from operational areas would not be fully released</p>

We need to maintain, and where possible, improve organisational performance	
Advantages	Disadvantages
<p>Scope for some savings (£1.2m-£1.4m) through the rationalisation of fire to fire, local authority and police delivery and staffing structures.</p> <p>Further synergies could be secured in some specialist areas such as education programmes and general community work to reduce duplication and improve the joint provision and delivery points such as community hubs/front desk support.</p> <p>More resilience in back office and technical functions may arise</p> <p>Existing governance arrangements and local service delivery identity could be maintained</p>	<p>Significant cuts to service delivery would be necessary due to the outstanding financial deficit (£1m <i>LIKELY</i> case in 2017/18, rising to £1.9m the following year).</p> <p>Savings from senior management could not be fully harvested due to complex legal and governance arrangements that would need to be put in place</p> <p>Opportunities for policy differences to emerge between the two fire authorities</p> <p>There is the potential for costs in some back-office areas to increase through buying into larger systems and frameworks</p> <p>Potential savings from operational areas would not be fully harvested, meaning larger financial deficits</p> <p>Shared services and functions would require a partnership agreement and political/managerial oversight</p> <p>Less political influence and 'say' at regional and national level as still remain as one of the smallest CFA in England</p>

Greater fire to fire cashable and non-cashable efficiencies can be realised from this scenario. Financial savings estimated to be in the region of £1.3m, *LIKELY* case, could be made through formal collaboration using existing governance arrangements that would need to be built upon to oversee joint functions. More joined up service delivery arrangements involving Wiltshire and Swindon Fire Authority, local authority partners and the police could improve the effectiveness of the services provided to the public. However, given the legal and governance issues over sharing operational resources, the available financial savings opportunities are substantially reduced. This will inevitably necessitate the need for cuts to service delivery to achieve a balanced budget (£0.9m to £1.1m in 2017/18, rising to £1.8m to £2m the following year). The scale and pace of change to achieve a balanced budget would be significant causing considerable political, organisational and financial tensions.

4.3 Scenario 3 - Merge with Wiltshire and Swindon Fire Authority, to create a single Combined Fire Authority, while also collaborating with Bournemouth Borough Council, Dorset County Council and the Borough of Poole

4.3.1 Overview

Under this scenario, a new CFA would be created from the two existing Fire Authorities, through a new Combination Order, approved by the Secretary of State under section 2 of the Fire and Rescue Services Act 2004. The new CFA would oversee a new fire and rescue service with a single budget and integrated risk management plan. This new CFA would seek to collaborate closely with all its constituent authorities and the two police forces. The main focus of this analysis involves these key parties but does not undervalue or imply that other existing partners and partnerships would not be strengthened.

As with Scenario 2 our current working arrangements with Dorset County Council (DCC) for the provision of support service contracts would need to change. In this Scenario the Treasurer and Clerk functions would also be impacted.

There may still be some opportunity for Dorset County Council to provide services to the new CFA in areas such as payroll and pension administration and insurance and claims handling. These functions could continue as external contracts that would be put out to tender by the new CFA.

4.3.2 Financial analysis

a) Ongoing revenue savings

The identification of savings and transition costs have been determined on the basis of experience gained from the Devon and Somerset combination, and the more recent work undertaken in Scotland to establish a single fire and rescue service. Our financial forecasts and assumptions have been audited with no cause for concern being expressed (*report available on the website as Background information*).

In the "Draft business case for consultation" published in July 2014, the likely mid-point saving from the functional reviews was £3.7m. Since that time, officers have been able to finalise the potential positioning of flexi-duty managers within the proposed structures and this has enabled us to reduce the number of corporate staff in certain areas. The result of this is that the **LIKELY** mid-point saving has now increased to £3.9m, as shown in the table below. This provides more confidence around our ability to achieve an annual saving of £4m. **BEST** and **WORST** case savings are also shown, using a variance factor of +/- 15%.

Table 4 Savings opportunities arising from Scenario 3			
	Worst Case Saving £'000	Likely Case Saving £'000	Best Case Saving £'000
Senior management	298	350	403
FDS and technical management support	2,045	2,406	2,767
Corporate departments	919	1,082	1,244
Other corporate savings	71	83	96
Total	3,333	3,921	4,510

There is potential for some savings from joint working between Wiltshire Fire and Rescue Service and its local partners which could also be available in Scenario 3. This has the potential to realise additional annual savings of between £62k and £266k. In addition to this, it would be reasonable to assume, given the nature of these savings, that an additional similar sum could be found by working with Dorset, Poole and Bournemouth local authorities and Dorset Police. This has not been relied upon in the financial analysis, but, if accepted, would bridge the **WORST** case projected deficit, meaning that, under all forecasts, the new CFA would be financially solvent to 2017/18.

Despite the significant savings outlined above, and the benefit of additional savings from the pay award and Joint Command and Control Centre, there would still be a remaining financial deficit (£0.3m **BEST** case to £1.6m **WORST** case). As outlined in the “Draft business case for consultation” published in July 2014 we have already been looking at a prioritised approach to assessing how we could bridge any remaining financial gap. At this stage we have carried out a broad analysis to see if we could make financial savings by making best use of crewing efficiencies in the wholetime duty system and harmonising crewing arrangements for aerial appliances across Dorset and Wiltshire. This would maintain front line fire engines in all of their current locations and make sure that they are still immediately available during the same periods of time as they currently are. With a larger pool of wholetime duty system staff, working under the same contractual arrangements, we are confident that more resilient and efficient crewing arrangements can be developed and delivered. The work that has been undertaken suggests that savings of up to £1.5m could be available. This would bridge the remaining financial deficit under the **LIKELY** and **BEST** case scenarios, and leave but leave a remaining gap of £150k under the **WORST** case scenario, although this can be met from transformation reserves, meaning that financial solvency in 2017/18 is highly probable.

b) Transitional costs

Transitional costs have been informed by the experience gained from the Devon and Somerset combination, DCLG guidance and the more recent work undertaken in Scotland to establish a single fire and rescue service. On behalf of both Authorities, the South West Audit Partnership, in conjunction with Swindon Borough Council, reviewed the approach taken to establishing all transition costs. No cause for concern has been expressed about the methodology used or the range of transition costs identified.

In line with the resolutions made at our December Authority meeting, the two Fire Authorities made a significant joint bid proposal against the DCLG Transformation Funding available for 2015/16. The bid totalled £5.63m and contained three distinct elements as shown in the table below.

Table 19 Components of transformation bid	
Element of Bid	Cost
Safety centre and multi-agency strategic hub	£3.65m
Harmonising our ICT infrastructure	£1.41m
Driving the transition to the new CFA	£0.57m
TOTAL	£5.63m

The Transformation Bid included an assumption that Dorset and Wiltshire would provide match funding of £1m towards the creation of the Safety centre and multi-agency strategic hub.

The Fire Minister announced the outcome of the Transformation Funding bidding process on 17 October 2014. The joint bid was successful and total funding of £5.54m has been provisionally allocated, dependent on the outcome of this Final Business Case. If the Combination option is not approved by both authorities then the allocated funding will be lost.

Redundancy costs

In assessing the potential for redundancy costs, we have looked at the differences between existing base structures, across all non-station teams, and the new structures proposed within the functional reviews carried out earlier this year. This looks at wholetime and corporate staff across all teams and all ranks and grades.

This early work indicates a net reduction of wholetime non-station based posts. This includes a reduction in posts proposed by the FDS functional review.

Looking at current vacancies and retirement profiles for operational staff, this would suggest that this reduction can be managed entirely through natural wastage, with no requirement to make redundancy payments.

For corporate staff posts, the early work suggests a net reduction of 23.39 full time equivalent (fte) posts, although this net reduction does not truly reflect the number of changes to posts. For example, some new corporate posts have been proposed, such as in the Learning and Development functional review, which includes a number of new non-operational trainer roles. The actual number of current posts assessed as at risk of redundancy is around 39.5 fte posts but this can be reduced when we factor in currently vacant posts and posts filled with staff on fixed term contracts that may not be eligible for inclusion within ring-fenced redundancies pools. This is likely to reduce the potential number of people affected by redundancy to around 19.63 fte posts.

Based on current staffing profiles in Dorset and Wiltshire, we have assessed the average redundancy cost at £18,735. So for 19.63 fte posts, this equates to an overall potential redundancy

cost of £368k. Using a variance factor of +/- 15%, we have assessed that total redundancy costs could range between £313k and £423k. A further allowance of £200k has been included for senior management redundancies and pension strain costs.

ICT systems harmonisation costs

A high level review of all current ICT systems and processes used across Dorset and Wiltshire has been carried out. This has looked at all key systems and processes in use across all of the functional review areas in both Services. Whilst there is some degree of commonality across the two Services, with both using the same systems in some cases, for example the Gartan RDS availability system, not all of these systems are used in the same way, and in some cases different systems are in use. Certain system migration requirements have already been agreed in principle, for example both Services have agreed that the Agresso Financial Information System, currently used by Wiltshire, should be used by the new Service. Further, more detailed work is required in most other functional review areas to determine a way forward.

Any ongoing cost, such as maintenance costs, from new or changed systems is assumed to be offset by savings on existing systems. The **LIKELY** total cost for ICT systems harmonisation has been assessed as £452k. This element of transition cost looks only at ICT systems costs. The requirements for ICT infrastructure changes are included in the Transformation Funding Bid.

Other one off transition costs

Officers have undertaken a full review of the statutory and legal requirements necessary for any new Authority, and the impact of political and cultural considerations. The work undertaken by the Scottish Fire and Rescue Service has been used as “best practice” guidance for this piece of work. The requirements in all functional areas have been considered, and whilst for most of these issues there are no anticipated additional costs, some one-off costs of transition have been identified. These costs are in areas such as corporate identity and branding, vehicle and property signage, workwear, ID cards and access controls and potential legal costs associated with the novation of contracts. All of the cost implications have factored in existing revenue budget provision where appropriate and therefore show only potential additional costs.

Experience in both the public and private sector clearly indicates that the cultural harmonisation issues should not be underestimated. It is important that any new Service defines and realises a new set of expectations and behaviours. To support this, managers will need to be supported through additional leadership and management training. An allowance of £80k has been provided to support the development and partial delivery of such programmes.

The most significant single area of spend identified is for the provision of new workwear for all public facing staff and volunteers. This is an important factor in terms of identity and culture for the new organisation and comes at a cost of £120k. The replacement of PPE has been discounted because of the significant cost implications, at around £1.5m in total. Existing PPE provision remains fit for purpose.

The **LIKELY** case total for *other* one off transition costs has been assessed as £0.3m.

c) Fire precept equalisation

The difference in fire precept between us and Wiltshire and Swindon is currently only £2.98 (but could be £4.32 by 2016/17, assuming both authorities continued to increase fire precept by 2% each year), but equalisation of the fire precept remains a key financial risk for the combination process. There are three potential options for precept equalisation for the combination:

1. Equalise to Dorset's Band D council tax in April 2016; or
2. Equalise to an average of Dorset and Wiltshire Band D council tax in April 2016; or
3. Equalise Band D council tax over a 5 year period.

The table below illustrates each of these options, which are all based around the current 2% local referendum limit.

Table 20 Fire precept equalisation options			
	Option A	Option B	Option C
Wiltshire planned precept 2015/16	£64.89	£64.89	£64.89
Combined CFA precept 2016/17	£69.21	£67.80	£66.18
£ increase in fire precept	£4.32	£2.91	£1.29
£p per week increase in fire precept	8.3p	5.6p	2.5p
% increase in fire precept	6.66%	4.48%	1.99%

For each option, fire precept increases of 2% per year would be required from 2017/18 onwards. Options A and B both require precept increases in Wiltshire and Swindon above the current percentage limit for referendums, although in cash terms they are relatively minor. Whichever option is chosen the overall impact on council tax payers in Wiltshire and Swindon is likely to only be around 0.2%.

The DCLG's guidance document on voluntary combinations, although not published policy, states that:

"The acceptability of a change in council tax is a matter of judgement for fire and rescue authorities, other council members and the electorate (who might be consulted on the precept later in the process)."

However, as a rule of thumb:

- *changing council tax levels (band D for example) by more than £10 per property may be challenged by elected members and members of the public*
- *changing council tax levels by a few pounds per property (a few per cent in the cost of the fire and rescue authorities, or about 0.01 per cent to 0.2 per cent of overall council tax) is more likely to be accepted, if there are recognised and quantifiable benefits to a combination."*

Option A could provide additional long-term funding of around £0.75m each year, based on a 2% precept increase. This would significantly reduce any remaining funding gap, particularly in the years after 2017/18, when we are still expecting further government funding reductions. Should

the local referendum limit be reduced in 2015/16 and/or 2016/17, Option A would reduce the financial risk to the combination.

Option B has no positive or negative impact on the future funding gap, based on a 2% precept increase. This option would be impacted by a reduction in the local referendum limit. A 1% change would make a difference of £330k.

Option C could add significantly to the financial deficit faced by the new CFA by around £196k in 2016/17 and rising to over £800k within 4 years, even on the best case assumption of a 2% increase in fire precept.

The new CFA will be subject to local referendum principles, just like any other fire authority. For 2016/17 the new CFA's fire precept will be compared to a notional fire precept assuming the new CFA had existed in 2015/16. This notional fire precept is known as an 'Alternative Notional Amount' (ANA). There is no fixed process for calculating the ANA and this gives some scope to deal with issues around the harmonisation of the fire precept and the current difference between Dorset and Wiltshire. For instance, it may be possible to set the ANA for the new CFA at Dorset's fire precept for 2015/16. Both Chairmen and officers have been working with DCLG officials to agree on a timescale and approach for calculating the ANA. Ultimately the ANA will need Ministerial approval and the Minister has so far been very supportive on the subject of harmonisation through either Option A or Option B. More clarity on this should be available by the time of the Fire Authority Meeting.

d) Capital

Our combined medium term finance plans include indicative capital programme requirements up to and including 2018/19. From 2015/16 to 2018/19 total joint capital spending of £18m is currently forecast, with £13.8m of this spending allocated for vehicle replacements. This includes £2m for the joint requirement to replace 4 aerial appliances and £9.1m for the replacement of 33 fire appliances. Our financing predictions assume new borrowing of £13.9m to support this capital spending.

Current revenue budget provision to meet capital financing costs is expected to increase from £2.8m in 2015/16 to £3.3m in 2018/19. This increase is factored into our current medium term financial plans.

Table 21 Capital programme for new CFA

	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s
Information & Communication Technology	475	390	173	313	350
Equipment	448	67	102	108	150
Vehicles	2,001	4,245	3,258	2,695	3,633
Estates	573	682	582	620	600
Total Spending	3,496	5,384	4,115	3,736	4,733
Prudential Borrowing	1,155	3,209	3,440	3,136	4,133
Capital Receipts	0	1,500	0	0	0
Grants	1,770	0	0	0	0
Revenue Financing / Reserves	571	675	675	600	600
Total Financing	3,496	5,384	4,115	3,736	4,733
Operating lease rentals	920	589	379	365	125
Costs of borrowing	2,146	2,225	2,526	2,874	3,153
Revenue costs	3,066	2,814	2,905	3,239	3,278

For the purposes of this Final Business Case, officers have carried out an initial review of the joint capital programme requirements. This has primarily focused on the vehicle replacement requirements, the single most expensive area, but has also looked at other areas of capital spending, particularly where there may be some duplication with the Transformation Funding bid.

Options looked at in reviewing the vehicle replacement programme include:

- ◆ Extending the life cycle policy for Wiltshire fire appliances from 12 to 15 years, in line with Dorset's policy;
- ◆ Moving from an 18 tonne chassis for fire appliances, to 15 tonne or even 12 tonne;
- ◆ Reducing the number of aerial appliances in service across the two counties, from 4 to 3; and
- ◆ Considering other options for fast response appliances, command support vehicles and the wider fleet of support vehicles.

This initial review indicates that there could be the potential to reduce overall capital spending by up to £4m over the 4 years to 2018/19. This would result in a reduced borrowing requirement of a similar sum, and a consequential reduction in ongoing capital financing costs of approximately £300k each year. The timing of these savings is dependent on wider decisions around the capital financing arrangements for the new authority, but could be expected to be achieved by 2018/19.

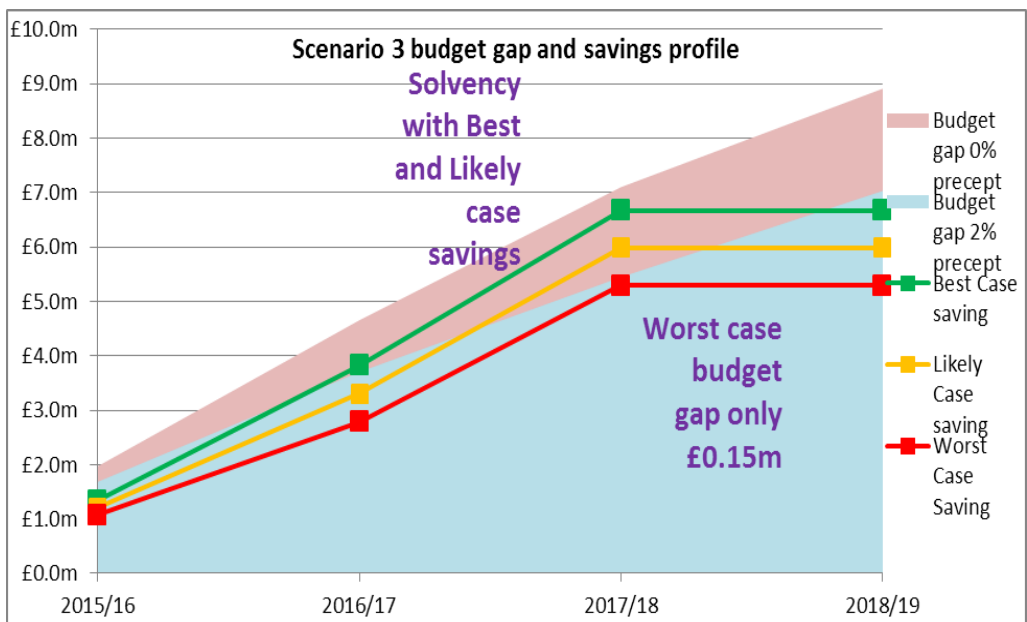
A more immediate, short term, one off saving could be achieved if the two Services were to suspend their current vehicle replacement programmes, particularly for fire appliances and aerial appliances, for 12 months. This would reduce the borrowing requirement to support the 2014/15

and 2015/16 capital programmes, with savings being achieved particularly in 2016/17. Such an approach would also reduce the burden on the two delivery teams at a time of significant change. This financial saving opportunity has not been included in this financial analysis.

e) Financial overview

The following chart and associated table provide an overview of the revenue position associated with scenario 1.

Figure 4 Budget gaps and savings profile for Scenario 3



This chart shows the combined Dorset and Wiltshire funding gap that would be faced with 0% and 2% precept increases, and the BEST, WORST and LIKELY case savings that may be achieved under Scenario 3 - Combination.

The BEST case saving could provide a budget surplus of up to **£1.2m**.

WORST case leaves a small budget gap of just **£0.15m**.

Table 22 Financial forecast of revenue position to 2018/19 for Scenario 3

Scenario 3 - Combination	2015/16	2016/17	2017/18	2018/19
Funding gap with 2% precept increase	£1.683m	£3.704m	£5.448m	£7.033m
Funding gap with no precept increase	£1.970m	£4.655m	£7.103m	£8.912m
Transition Costs				
Redundancy Costs	£0.284m	£0.284m	£0.000m	£0.000m
ICT System Harmonisation Costs	£0.185m	£0.217m	£0.050m	£0.000m
Other one off transition costs	£0.116m	£0.098m	£0.050m	£0.010m
ESTIMATED ONE OFF COSTS	£0.585m	£0.599m	£0.100m	£0.010m
TOTAL COSTS	£1.294m			
Likely Case Savings				
Combination Savings	£0.784m	£2.745m	£3.921m	£3.921m
Working with Wiltshire savings	£0.023m	£0.159m	£0.164m	£0.164m
2014/15 pay award saving	£0.400m	£0.400m	£0.400m	£0.400m
Change to duty systems	£0.000m	£0.000m	£1.500m	£1.500m
"LIKELY" ESTIMATED SAVINGS	£1.207m	£3.304m	£5.985m	£5.985m
REMAINING BUDGET GAP - 2% PRECEPT	-£0.476m	-£0.400m	£0.537m	-£1.048m
Best Case Savings				
Combination Savings	£0.902m	£3.157m	£4.510m	£4.510m
Working with Wiltshire savings	£0.033m	£0.266m	£0.266m	£0.266m
2014/15 pay award saving	£0.400m	£0.400m	£0.400m	£0.400m
Change to duty systems	£0.000m	£0.000m	£1.500m	£1.500m
"BEST CASE" ESTIMATED SAVINGS	£1.335m	£3.823m	£6.676m	£6.676m
REMAINING BUDGET GAP - 2% PRECEPT	-£0.348m	£0.119m	£1.228m	-£0.357m
Worst Case Savings				
Combination Savings	£0.667m	£2.333m	£3.333m	£3.333m
Working with Wiltshire savings	£0.012m	£0.052m	£0.062m	£0.062m
2014/15 pay award saving	£0.400m	£0.400m	£0.400m	£0.400m
Change to duty systems	£0.000m	£0.000m	£1.500m	£1.500m
"WORST CASE" ESTIMATED SAVINGS	£1.079m	£2.785m	£5.295m	£5.295m
REMAINING BUDGET GAP - 2% PRECEPT	-£0.604m	-£0.919m	-£0.153m	-£1.738m
Balance of transformation reserves				
Opening balance of reserves	£3.900m	£2.839m	£1.839m	£2.276m
Closing balance of reserves	£2.839m	£1.839m	£2.276m	£1.218m

* this assumes that any budget surplus is transferred to transformation reserves

This shows the combined Wiltshire and Dorset projected budget gap based on our current Medium Term Finance Plans. This is between **£5.4m** and **£7.1m** in 2017/18.

This shows the expected transition costs required to achieve the annual savings detailed below. The transition costs total an estimated **£1.3m**, and could be funded from the Transformation Improvement reserve.

The LIKELY case shows that total annual savings of **£6m** can be achieved from 2017/18 onwards. A budget surplus of **£0.5m** is projected for 2017/18.

The BEST case shows that total annual savings of **£6.7m** can be achieved from 2017/18 onwards. A budget surplus of **£1.2m** is projected for 2017/18.

The WORST case shows that total annual savings of **£5.3m** can be achieved from 2017/18 onwards. This would leave a small remaining budget gap in 2017/18 of **£0.15m**.

This shows the balance of reserves available for transformation after funding transition costs and then the remaining LIKELY budget gap. You can see that **£1.2m** * of reserves would still be available at the end of 2018/19.

KEY		
	£5.985m	LIKELY CASE estimated savings Scenario 3
	£0.537m	Remaining LIKELY CASE Budget Gap based on 2% precept increase
	£6.676m	BEST CASE estimated savings Scenario 3
	£1.228m	Remaining BEST CASE Budget Gap based on 2% precept increase
	£5.295m	WORST CASE estimated savings Scenario 3
	-£0.153m	Remaining WORST CASE Budget Gap based on 2% precept increase

f) Reserves

Each authority has its own strategy for reserves and balances; and reflecting changes recommended by the Treasurer in Wiltshire (to be proposed to Wiltshire and Swindon CFA at its December meeting), both would hold risk assessed general reserves of **£1.5m**. In addition, **£0.8m** of other general balances are held, with Wiltshire using **£0.3m** in 2014/15 to balance the revenue budget.

At the end of March 2015, the two authorities are forecast to hold earmarked reserves totalling **£12.2m**. This includes **£1.3m** of external grant funding given and held for specific purposes. The

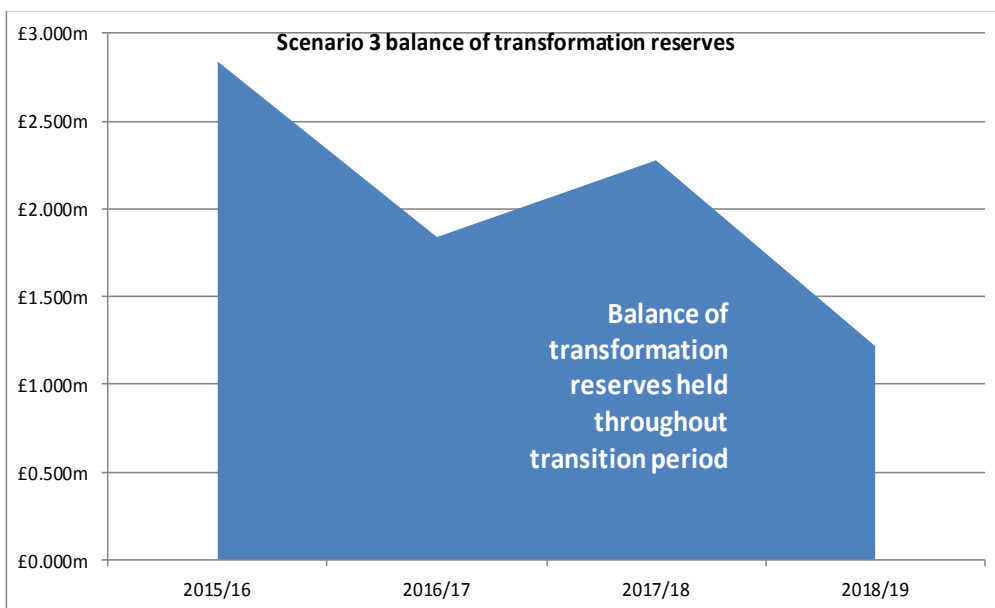
remaining £10.9m is held in other earmarked reserves, including £3.1m currently in transformation reserves, £0.9m to support the transition to the Joint Command and Control Centre and £3.8m to support future capital funding.

An initial review of all reserves and balances, for the purposes of the final business case, has been carried out. This has been validated by our auditors (*report available on the website as Background information*). An indicative combined risk assessment for general reserves (see Background documents) provides an overall risk assessed value of £2.66m but limiting this to a general reserve of £2.5m would seem appropriate for the new combined authority. This would equate to around 4.5% of a combined £55m revenue budget. Setting the general reserve at this level would release £0.5m from the current combined funds. The new risk assessment also makes adequate provision for the risks associated with business rates collection, meaning that the £0.1m earmarked reserve currently held by Wiltshire can also be released. In total, therefore, £0.6m of current combined reserves can be released for other purposes, such as providing additional support for the transformation programme. This could mean that £3.7m is available in total.

The allocation of £5.54m from the DCLG Transformation Fund provides greater certainty around the level of other reserves that are available to support the transition process.

As the chart below shows, assuming that any budget surplus is put back into transformation reserves, under the **LIKELY** case savings option the budget could be balanced as far as 2018/19, and still leave at least £1.2m of transformation reserves available as a contingency or to support further service transformation. If **BEST** case savings could be achieved the balance of transformation reserves would be in excess of £3m. With **WORST** case savings it would be necessary to find additional savings of £0.8m in 2018/19 to set a balanced budget and this may be addressed by fire precept harmonisation at 8.3p per week.

Figure 6 Balance of transformation reserve



This chart shows how the Transformation Improvement reserve and surplus general balances would be used in Scenario 3 - Combination.

£1.2m* of combined transformation reserves would still be held at the end of 2018/19.

* this assumes that any budget surplus is transferred to transformation reserves

All of the other earmarked reserves, and the current profiles for utilising them, are assessed as appropriate for the new authority at this stage, although this could change, depending on other financial decisions taken.

Of course, it is necessary to look at a balanced strategy between revenue budget provision and funds held in earmarked reserves. For example, Dorset takes a different approach to Wiltshire with regards to insurance, carrying a higher degree of risk, in return for comparatively lower annual premiums. This strategy has proved beneficial over a number of years, but a self-insurance fund is held in earmarked reserves to mitigate any potential financial risk. Should the combined authority take a different approach to its insurance arrangements, then it could be possible to release funds from this earmarked reserve, but the annual revenue budget provision may have to change.

g) Summary

In summary

- ◆ Following a review of wholetime duty systems (including the crewing arrangements for aerial appliances), and together with the pay award saving and savings from the Joint Command and Control Centre, Scenario 3 has the potential to achieve **BEST** case total annual savings of £6.7m, with the mid-point **LIKELY** total savings being £6m.
- ◆ This would mean that in 2017/18 we would be financially solvent under **BEST** and **LIKELY** case scenarios with a surplus of between £0.6m and £1.2m. Under the **WORST** case we would have a small remaining deficit of £0.15m, which could be funded from transformation reserves.
- ◆ Reserves would be financially healthy, with general reserves being maintained at a prudent level of £2.5m, or around 4.5% of a combined revenue budget of £55m. Sufficient transformation reserves would be available to set balanced budgets, with **LIKELY** case savings, as far as 2018/19.
- ◆ The level of fire precept for the new CFA is a key issue. With Ministerial support for early harmonisation this could have a positive impact on the combination. Any delay in harmonisation will have an adverse financial impact.
- ◆ £5.54m has been allocated from the DCLG Transformation Fund to support the transition process

Table 23 Financial summary (to 2017/18)			
	Scenario 3		
Savings	<i>Best</i> £6.7m	<i>Likely</i> £6m	<i>Worst</i> £5.3m
Investment	£1.3m		
Remaining deficit 2017/18	Best	Likely	Worst
High (Red) £1.5m+	£1.2m	£0.6m	£0.15m*
Medium (Amber) £0.5m-£1.5m	(Surplus)	(Surplus)	(Deficit)
Low (Green) less than £0.5m			

Note. An additional £1m could arise if fire precept is frozen over the next 3 years without sustainable reflection in central grant formula

* This deficit can be funded from transformation reserves, meaning that a balanced budget can be achieved in 2017/18

4.3.3 Impacts to community safety and partnership working

a) Future vision

By combining we would be able to more than double the level of savings compared with Scenarios 1 and 2. Achieving the **BEST** or **LIKELY** case savings, would allow the new CFA to set a balanced budget by 2017/18, provided that wholtime duty systems and aerial appliance crewing arrangements were harmonised with Wiltshire. Even with the **WORST** case predicted savings, the financial deficit in 2017/18 would only be £150k and this can be met from transformation reserves. This means that there would be no significant adverse impact on service delivery arising from Scenario 3, indeed in many areas, such as home safety checks and fire safety inspections there is an opportunity to make significant improvements to current levels of performance. For example, the number of home safety checks in Wiltshire and Swindon would increase from 3,000 to 14,000 by 2017/18.

As well as creating a strong fire to fire foundation, this would enable us to be a more viable partner as we would be more financially sustainable and have increased resilience by being able to draw upon a larger resource base. Unlike the police and ambulance services that can more freely move resources to risk, fire stations are largely fixed resources anchored to emergency response standards. This means that firefighters and their fire stations remain central to our villages, towns and city. By avoiding deep and damaging cuts to service delivery, and by working more efficiently, we can be a stronger partner at a local, community-based level.

By working with our local authorities, we will be able to enjoy benefits of more joined up support and service delivery. Initiatives such as community hubs in Wiltshire would then be made even stronger, by integrating fire related services in with other services being provided by local authorities, the Police, health etc. In this way we will be able to strengthen and help deliver the wider public service agenda and better focus on the needs and wants of local communities in a truly joined up way. We would also maintain and build upon our relationship with the Ambulance Trust, the Police and local authorities, particularly in co-location of our premises. As Scenario 1

has shown, this will open up areas for further savings. It will also mean that we will all enjoy stronger working by operating from the same buildings.

In addition, by combining our political authorities, we would become the fourth largest stand-alone fire service in England by station and the sixth largest by budget. This would give us more influence and allow us to put more time and resources into securing future one off grant funding, such as the Transformation Bid funding, and making best use of commercial and sponsorship opportunities. This proposal would allow us to be a stronger partner, able to do more for the communities we serve.

In short, we can be a safer, stronger and more sustainable organisation. To further articulate this, a draft vision has been developed by the Combination Oversight Board. In summary, by Safe, Strong and Sustainable we mean:

Safe We want to play a leading role in making our communities safer. We want to continue to keep staff and local people as safe as we possibly can by preventing incidents happening and protecting people against some of the risks they face. However, when fire and emergencies do occur, we will provide an efficient and effective response to them.

Strong We want to build on our work with key partners and communities to target our efforts on making a real difference to those people who need our services the most. We have a great deal to offer. We are trusted and have relationships with vulnerable groups that others could build on. We often have a unique presence in cities, towns and villages. We want to make the most of these relationships and our assets to make communities safe and stronger.

Sustainable We want to ensure we are financially secure, both for today and in the future. We will work in new and creative ways to reduce costs and make ourselves more effective and influential.

b) Response

Under this scenario, response times for fire engines would not increase, meaning that fire engines will arrive just as they do now. By making our operational rota more efficient, by becoming a larger organisation, we would have more resilient arrangements. We would also be able to better share specialist resources, such as our high-volume pumping appliances, our technical rescue teams, and share training and expertise across the two counties.

We have a wide range of partners that support the planning, management and recovery associated with emergency incidents. We work a great deal with our local resilience forums (LRFs) in planning for major incidents and, where necessary, we set up strategic coordinating groups where agencies need to respond in a very co-ordinated way. These relations must, and would, continue under this proposal. We would also be able to be a more efficient partner to better support the planning and training activities associated with responding to multi-agency incidents.

To help us work across a larger area, we submitted a joint bid to Government to support the setting up of a small central multi-agency hub in the Salisbury area, central to both counties. In addition to helping us reduce unnecessary travelling times, our aim is to offer this as a multi-

agency facility to further support our partners. Our bid has been successful and we have been allocated £5.54m from the Governments Fire Transformation Fund.

c) Preventing fires and incidents

By combining our expertise and resources, we believe it is possible to do much more and improve our community safety programmes. This proposed combination would allow us to do the following:

- ◆ Using the government allocated Transformation Funding, extend to Wiltshire and Swindon the idea of the nationally acclaimed safety centres operating in Bournemouth and Weymouth. Currently 15,000 young people in Dorset visit the two centres each year from across the area. Young people can learn in a safe and controlled environment and become aware of potential everyday dangers and reduce the chance of accidents happening. Communities in Wiltshire and Swindon would then have a significant resource that is not currently available to them. This will help us deliver wider agendas that our partners such as the police and health service have.
- ◆ Increase the number of home safety checks in vulnerable homes across Dorset and Wiltshire from 15,000 to 28,000, by restructuring and being more efficient. We would also aim to extend our network of community volunteers who are providing excellent support for us. By doing this, we believe that we could be achieving 28,000 home safety checks by 2017/18.
- ◆ Increase the amount of work that we do with commercial properties and landlords across Dorset and Wiltshire. Again, our limited resources are often stretched by being two relatively small organisations. By becoming one larger organisation we would be able to improve our efficiency. This will help us deliver more fire-safety activity and to support our partners better.
- ◆ Strengthen our partnership working by having improved organisational resilience and drawing upon a wider pool of resources and expertise.
- ◆ Help attract more funding by being a larger and more influential organisation and being able to work with the private sector to draw in more sponsorship and support for technological improvements.

Table 24 Community safety and partnership working impact rating		
	Scenario 3	
Financial	<i>BEST case*</i>	<i>WORST case</i>
Main issues	Financial solvency extended until 2018/19 provided wholetime and aerial appliance duty systems review undertaken. No impacts to response standards. Significant improvements to prevention and partnership capacity through a new safety centre supported by the DCLG Transformation Funding	Financial solvency until 2017/18 (£0.15m deficit remaining, that can be funded from reserves to allow a balanced budget to be set) provided wholetime and aerial appliance duty systems review undertaken. No impacts to response standards. Significant improvements to prevention and partnership capacity through a new safety centre supported by the DCLG Transformation Funding
Adverse impact rating	L	L

* Following wholetime duty system review and harmonisation of crewing arrangements for aerial appliances across Dorset and Wiltshire

4.3.4 Governance and legal issues

This scenario gives rise to the greatest constitutional change and requires a number of key changes to establish new governance arrangements. A new CFA, with significantly revised governance arrangements, would need to be created through a new Combination Order, with all legal responsibilities, liabilities and assets transferred to it. The main issues associated with the interim and steady state governance and legal issues are discussed later in the business case (see background section of business case (see *Issues associated to moving to a new combined fire authority*)).

Table 25 Governance and legal impact rating	
	Scenario 3
Main issues	Constitutional change and new governance arrangements required through a new Combination order. Transitional changes would be considerable however 'cleaner' steady state governance and legal arrangements
Adverse impact rating	M

4.3.5 Risk analysis

A detailed risk analysis has been undertaken and can be found in the section *Background documents available on the Service's website*. The key risks are associated with steady state and transitional arrangements and have been categorised into four principal areas namely:

- ◆ Service delivery
- ◆ Governance and legal
- ◆ Reputation
- ◆ Transition

The principal risks are:

Table 26 Principal risks to achieve a balanced budget in 2017/18			
		Rating	
		<i>BEST</i> case	<i>WORST</i> case
Service delivery	<ul style="list-style-type: none"> ◆ Changes to wholetime and aerial appliance duty systems and policies would be necessary ◆ Policies and practices in prevention and protection activities may be temporarily disrupted during transition 	L	M
Governance and legal	<ul style="list-style-type: none"> ◆ New governance arrangements would be required, appropriate shadow executive arrangements ◆ Political uncertainty associated with the general election could lessen the confidence in approving the Combination Order and Alternative Notional Amount ◆ A new organisational structure would need to be developed and agreed 	M	M
Reputation	<ul style="list-style-type: none"> ◆ No significant long-term reputational impacts, although there may be some impact during the transition process that will need to be carefully managed 	L	L
Transition	<ul style="list-style-type: none"> ◆ Staff morale may reduce due to potential redundancies in corporate staff and changes/ harmonisation to wholetime duty systems and ways of working ◆ Loss of key skills and expertise as specialist staff leave to secure improved employment prospects ◆ Technical change associated with the integration of different ICT systems, policies and operating models could lead to cost increases or delayed savings ◆ Extensive job matching / selection processes will needed 	M	M

NB * Officers are seeking assurances from DCLG about the timescales for approval of the Combination Order, with a requirement for this to be concluded by April 2015. Should this process be delayed, for instance the Combination Order is not finally approved until the autumn of 2015, then delivery of the savings arising from the combination would be compromised. Whilst it would still be possible to deliver savings of around £800k in 2015/16, largely through vacancies and other staffing assumptions, the level of savings achievable in 2016/17 and 2017/18 would be reduced. This will increase the requirement to use reserves to support the transition process, and could cost up to an additional £800k. Following recent discussions the Fire Minister is confident that the Order can be secured before the general election.

4.3.6 Equality issues

A People Impact Assessment has been undertaken. As can be seen from the financial analysis, under the **BEST** case the forecasted financial position in 2017/18 is a £1.2m surplus, with **WORST** case projections being a £0.15m deficit, provided we improve the efficiency of the wholetime duty system arrangements for the new CFA. Under this scenario, there will be positive community impacts to the **BEST** and **LIKELY** financial cases, with minor impacts in the **WORST** case. In terms of Gender there could be reduced opportunities for posts available for flexible and part-time working the majority of which are occupied by women. In terms of the remaining protected characteristics under the Equality Act 2010, the main impacts are:

In terms of the protected characteristic under the Equality Act 2010, the main impacts are:

Table 27 Principal equality impacts to achieve a balanced budget in 2017/18			
Protected characteristic	Impact	Impact rating	
		BEST Case*	WORST case
Age	<ul style="list-style-type: none"> ◆ The number of home safety checks will rise from current levels of 15,000 to 28,000 by 2017/18. This will have a positive effect on the over 65s, families with children under 5 and people living alone ◆ Capacity will be improved to run the Safe Drive, Stay Alive programme, educating young people about road safety and the consequences of bad driving ◆ There will be improved capacity to run Troubled Family, Job centre plus and Salamander courses for young people and families ◆ There will be improved capacity to undertake our schools programme and partake in the annual Junior Good Citizen programmes across the county 	Positive	L
Race/ethnicity	<ul style="list-style-type: none"> ◆ Community engagement activity will improve having a positive effect on the work the Service does in diverse communities, and improving upon our ability to fulfil our public sector equality duty to foster good community relations ◆ There will be an extended network of community volunteers, which will provide an opportunity to encourage people from all ethnic backgrounds to participate in community activities 	Positive	L
Disability	<ul style="list-style-type: none"> ◆ An improvement in capacity in Home Fire Safety checks, Salamander programme (Downs Syndrome) ◆ No increased response times will ensure no effect on those with disabilities ◆ Reduced funding and cuts may be avoided, maintaining the Service's currently ability to ensure that all Fire Service premises are compliant with the access requirements under the Equality Act 2010 	Positive	L

* Following wholetime duty system review and harmonisation of crewing arrangements for aerial appliances across Dorset and Wiltshire

4.3.7 Environmental issues

An Environmental Impact Assessment has been undertaken. Under the **BEST** case financial scenario, the level of prevention and protection will increase and therefore this will have a positive impact. However, Members, officers and some corporate staff will be required to travel more. This may be partially offset by a strategic hub in Salisbury and a greater use of ICT, particularly video conferencing and mobile / flexible working. Under the **WORST** case scenario, there may be some requirement for low scale cuts to frontline service delivery or support departments of the order of £0.15m to set a balanced budget in 2017/18.

Table 28 Principal environmental impacts of establishing a balanced budget in 2017/18			
	Main issues	Impact rating	
		BEST Case*	WORST case
BEST case		Positive	L
<ul style="list-style-type: none"> ◆ Under the Best case financial scenario, the level of prevention and protection will increase and therefore this will have a positive impact. ◆ There will, however, be more travelling requirements for members, middle and senior officers and corporate staff. This can be partially offset by a strategic hub in Salisbury with new ways of working and through greater use of video conferences and other new technology. 			
WORST case			
<ul style="list-style-type: none"> ◆ Under this scenario, cuts or changes to service delivery and support departments will be of the order of £0.15m, a level that will not give rise to a significant environmental impact. 			

* Following wholtime duty system review and harmonisation of crewing arrangements for aerial appliances across Dorset and Wiltshire

4.3.8 Summary

As outlined earlier, it is important that our decisions around strategic change consider three broad aims, namely:

1. Continue to be financially secure now, and in the future, to maintain front line services.
and, in doing so...
2. Maintain, and, where possible, improve operational performance to strengthen frontline services.
3. Maintain, and, where possible, improve organisational performance.

The advantages and disadvantages of this scenario against these aims are summarised below:

Table 29 Options appraisal against business case aims

WE NEED TO CONTINUE TO BE FINANCIALLY SECURE NOW, AND IN THE FUTURE, TO MAINTAIN FRONT-LINE SERVICES	
Advantages	Disadvantages
<p>There are significantly greater technical savings to be realised through a fire to fire combination than all of the other scenarios.</p> <p>Democratic support costs such as audit, committee services, clerking, etc., would be considerably less and the Authority would be able to realise additional savings through single corporate licences.</p> <p>Duplication of systems, processes and transactions will be largely avoided and some economies of scale will be secured from future procurement.</p> <p>There are other opportunities to harvest through the Combination. Subject to more detailed analysis, indications are that a further saving of £1.5m would be potentially available from a change to wholetime and aerial appliances duty systems. Under BEST and LIKELY case financial scenarios this would mean that a balanced budget could be set in 2017/18 without the need for financial reserves. The BEST case financial scenario gives rise to a predicted surplus of £1.2m.</p> <p>Sufficient reserves would then be available to balance the budget as far as 2018/19.</p> <p>Under a larger CFA, the greater resource disposition means that there will be greater options should a financial deficit exist beyond 2017/18.</p>	<p>Fire precept equalisation is required through an Alternative Notional Amount granted by Government. This could require an increase of 5.6p to 8.3p per week for Band D residents of Wiltshire and Swindon.</p> <p>Financial solvency to 2017/18 is possible under this scenario but this will require a change to wholetime and aerial appliance duty systems across the two Services. Subject to more detailed analysis, indications are that a further saving of £1.5m would be potentially available from such a change.</p> <p>A financial deficit may still be apparent after 2017/18 dependent upon further comprehensive spending reviews.</p>

WE NEED TO MAINTAIN, AND WHERE POSSIBLE, IMPROVE OPERATIONAL PERFORMANCE TO STRENGTHEN FRONTLINE SERVICES.	
Advantages	Disadvantages
<p>Through the Combination option frontline cuts could largely be avoided in the short-term.</p> <p>Community safety activity could be enhanced, e.g. an increase in home safety checks from 15,000 to 28,000 by 2017/18.</p> <p>Due to technical synergy, fire-fire combination is able to rationalise specialist officer posts and make significant savings, whilst ensuring the safety of the public, business community and firefighters is maintained.</p> <p>Management time would be used much more efficiently and effectively to drive through reform and cultural change.</p> <p>By combining our corporate and technical support teams, we will be able to improve overall capacity and resilience, with consequential benefits to frontline service delivery.</p> <p>Operationally, we will be able to enjoy a wider perspective on our integrated risk management planning (including exploiting synergies between our capital investment requirements), which may potentially help mitigate the risk of change for our communities.</p> <p>A secure fire-fire foundation would allow opportunities for further efficiencies to be pursued in technical operational areas, such as Hazardous Area Response Teams and Urban Search and Rescue Teams. New Dimensions assets, such as high volume pumps, would be more available.</p> <p>Further opportunities for additional co-location are being actively discussed, and could be further exploited with the police and ambulance services, and others, to deliver improved effectiveness and reduced costs.</p> <p>There would be the opportunity to further investigate the synergies that exist in areas, such as developing community volunteers and delivering joined up services through award winning initiatives such as Safe and Independent Living (SAIL).</p> <p>Further synergies could be secured in some specialist areas, such as education programmes and general community work to reduce duplication and improve the joint provision and delivery points such as community hubs/front desk support.</p> <p>A secure fire-fire foundation would allow opportunities for further efficiencies to be pursued in technical operational areas with the police, such as JESIP training.</p>	

WE NEED TO MAINTAIN, AND WHERE POSSIBLE, IMPROVE ORGANISATIONAL PERFORMANCE.	
Advantages	Disadvantages
<p>A fire-fire combination would be able to make significant savings in the region of £4 million while increasing community safety and education work in partnership with local authorities, blue-light services and the voluntary sector.</p> <p>Fire combination could be undertaken by maintaining local identities and without unduly unsettling the public. Local branding can be maintained.</p> <p>It would allow cleaner legal arrangements for politically overseeing the converged services and directing policy.</p> <p>Dorset and Wiltshire are ideally suited and it is widely regarded that it could be a partnership of equals.</p> <p>Better joined up service delivery would be achieved by integrating fire services with other public agencies and bodies. Initiatives such as community hubs in Wiltshire and single budget initiatives in Swindon and Dorset could also be enhanced.</p> <p>There are synergies between blue-light services and local authorities in many corporate areas such as HR, ICT, and finance.</p> <p>The new CFA would be the fourth largest combined fire authority by fire station numbers, and sixth largest by budget in England. This combined influence would inevitably help to shape the destiny of public services engaged in response and community safety within the areas currently served by Dorset Fire Authority and Wiltshire and Swindon Fire Authority.</p> <p>The expertise and economies of scale arising from working with larger local authorities would help to drive down costs and improve effectiveness of some support departments.</p> <p>An increased ability to strategically deal with an ageing workforce, through more strategic succession planning and increased recruitment opportunities.</p>	<p>New governance arrangements would need to be formulated and shared through a larger CFA. A review of these arrangements may be prudent once steady state governance has been achieved.</p> <p>During all change, 'business as usual' will be inevitably impacted upon.</p>

Far greater fire to fire cashable and non-cashable efficiencies can be realised from this scenario. Combined financial savings, estimated to be in the region of £6m-£6.7m, can be achieved following a review of wholetime duty systems and crewing arrangements for aerial appliances. This will mean that financial solvency under all options remains highly likely using the agreed planning assumptions laid down in our medium term finance plan. Service delivery would be significantly improved, both in terms of capacity and capability. Partnership working with all local authorities, the police and other agencies would be more viable, allowing a vision of joined up service delivery to be better realised. The transition to new governance arrangements remains a key issue that would need to be carefully managed, along with a closely scrutinised harmonisation programme.

5 Summary comparison

5.1 Financial analysis

Revenue

As can be seen from the table below, Scenarios 1 and 2 provide savings, but even after these opportunities have been harvested, significant financial deficits remain in 2017/18. Under these scenarios, financial solvency would only be possible if service capability was reduced, commensurate with the financial deficit. Scenario 3 allows significant fire to fire efficiencies to be realised. These principally arise from rationalising flexi-duty operational officers, rationalising technical management and support functions; reducing management duplication and harvesting opportunities to harmonise wholetime duty systems and crewing arrangements for aerial appliances. Under this scenario, both the **BEST** and **LIKELY** case financial forecasts show that financial solvency is a real possibility. With **WORST** case forecasts, there would be a deficit of around £150k but this can be funded from reserves, allowing a balanced budget to be set in 2017/18. All of these deficit projections are of course subject to levels of fire precept. Anything less than the 1.99% increases already assumed will adversely impact the deficit figures. For instance, if Dorset's fire precept is not increased by 1.99% for 2015/16 the remaining deficit figures for 2017/18 could all increase by £350k, subject to the sustainability of any future council tax freeze grants.

Table 30 Summary of financial analysis (to 2017/18)			
	Scenario 1	Scenario 2	Scenario 3
Savings	£0.56m	£1.1m to £1.4m	£5.3m to £6.7m
Investment	not yet determined	£0.46m	£1.3m
Remaining deficit 2017/18	£1.75m	£0.9m to £1.1m	£1.2m (surplus) to £0.15m deficit *
Adverse impact on LIKELY case deficits	H	M	L
Ranking (1 BEST , 3 WORST)	3	2	1

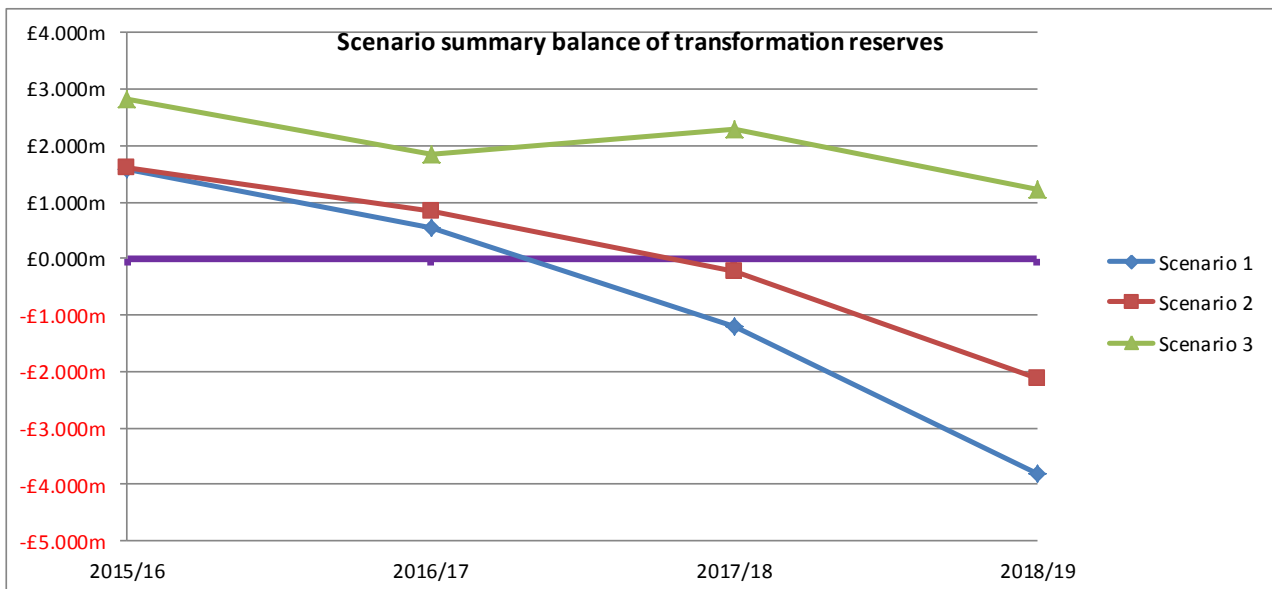
NB * This deficit can be funded from transformation reserves, meaning that a balanced budget can be achieved in 2017/18

Reserves

In addition, and as the chart below shows, the underlying position of our financial reserves associated with Scenarios 1 and 2 is also a great cause for concern. Without any further significant savings being found, all of the reserves to support change programmes would be consumed by 2017/18 to pay for transition costs and support the base budget. The use of general reserves and earmarked reserves would further increase risks to the Authority.

In Scenario 3 there are sufficient transformation reserves available, with the **BEST** and **LIKELY** case savings, to set a balanced budget as far as 2018/19, assuming that any budget surplus is put back into transformation reserves. Under the **WORST** case savings option £0.8m of additional savings would be required to set a balanced budget in 2018/19, although this could be met from the fire precept if this is set at 8.3p per week.

Figure 7 Balance of available reserves to support change



5.2 Community safety and partnership working

The protection of service delivery is largely dependent on the level of financial savings that can be found from each scenario. As the financial analysis has shown, Scenarios 1 and 2 lead to considerable **LIKELY** case deficits of £1.75m and £1m remaining in 2017/18, rising to £2.6m and £1.9m the following year, representing a considerable financial challenge to establishing a balanced budget. Significant cuts in service delivery would be required. Should this happen then the effect could be:

- ◆ increases in the response times in the main urban areas and across the rural areas of the county;
- ◆ reduced ability to carry out important prevention and operational pre-planning work for major risks; and
- ◆ reduced resilience for dealing with large incidents or spate conditions.

All scenarios provide for closer working with local authorities, the police and other partners, with the ultimate aim of delivering joined up and more seamless services to the public. By avoiding potential cuts to service delivery, Scenario 3 creates the best fire foundation to support a vision for a safe, strong and sustainable service. Although Scenario 3 does not bridge the gap under **WORST** case financial scenarios, under **BEST** and **LIKELY** case forecasts it would allow us to set a balanced budget as far as 2018/19. This would still require a review of wholetime duty systems across the two Services including the harmonisation of crewing arrangements for aerial appliances; however, this would not involve compulsory redundancies or an increase in emergency response times for frontline fire engines. Under this scenario, the levels of prevention activity would double for the combined Service and we remain a strong active partner in the community safety agenda. This change can be undertaken without the loss of local operational focus or unsettling of the public.

	Scenario 1	Scenario 2	Scenario 3*
Main issues	Significant remaining financial deficit leading to cuts to service delivery and loss of viable partnership arrangements	Significant remaining financial deficit leading to cuts to service delivery and loss of viable partnership arrangements. Some improvement in technical resilience	Financial solvency provided wholetime duty system review undertaken and crewing arrangements for aerial appliances across Dorset and Wiltshire are harmonised. No impacts to response standards for frontline fire engines. Improvements to prevention and partnership capacity
Adverse impact rating on <i>LIKELY</i> case deficits	H	M	L
Ranking (1 <i>BEST</i>, 3 <i>WORST</i>)	3	2	1

* Following wholetime duty system review and harmonisation of crewing arrangements for aerial appliances across Dorset and Wiltshire

5.3 Governance and legal issues

Scenarios 1 and 2 provide the least disruption to the existing governance arrangements. Under these scenarios, we would retain the same governance arrangements and levels of democratic accountability. The CFA would continue to exercise its strategic control and statutory responsibilities in the same way as it does now. Given the long-term reliance placed upon future collaboration or integration between partners, it would be prudent for clear and accountable arrangements to be in place. Given the extreme financial pressures on all parties, and as a stand-alone Authority with its own statutory responsibilities, it would therefore be necessary to ensure that formal arrangements with other organisations were bounded by Service Level Agreements (SLAs) drawn up around commonly agreed specifications. In this way we could assure ourselves that clear performance and financial expectations would be in place and able to be scrutinised. In addition, and through these agreements, liabilities and risks could be more formally determined and made transparently accountable. Future investment programmes associated with joint

buildings, facilities and services may also be potentially vulnerable to wider financial pressures. This would necessitate careful management of SLAs and senior political engagement in constituent authority capital programmes may be required. Scenario 3 gives rise to the greatest constitutional change and requires a number of key changes to establish new governance arrangements. A new CFA, with significantly revised governance arrangements, would need to be created through a new Combination Order with all legal responsibilities, liabilities and assets transferred to it. This process has been successfully achieved elsewhere.

Table 32 Summary of impacts of governance and legal issues			
	Scenario 1	Scenario 2	Scenario 3
Main issues	No fundamental change to existing governance arrangements. Additional oversight required to support joint working. Complexity of steady state governance and legal arrangements dependent upon level of outsourcing or partnership working	No fundamental change to existing governance arrangements. Additional oversight required to support joint working. Complexity of steady state governance and legal arrangements dependent upon level of outsourcing or partnership working	Sharing of political governance. Significant transitional change to governance arrangements. Shadow arrangements and transitional programme needed. Cleaner steady state governance and legal arrangements
Adverse impact rating on LIKELY case deficits	M	M	M
Ranking (1 BEST, 3 WORST)	1	1	1

5.4 Risk analysis

The risks are largely associated with the need to tackle the remaining deficit. Scenarios 1 and 2 result in significant remaining financial deficits that would have to be addressed through a comprehensive programme of changes to service delivery and support yet to be agreed. The risks associated to service delivery and partnership working higher for Scenarios 1 and 2. A cuts programme could lead to reputational damage to the CFA, depending on the nature of the programme agreed, as the public and partners realise, and start to feel the consequences of, any changes. It would also result in considerable challenges to industrial relations and potentially increased legal challenges through judicial review. The transitional risks would therefore be higher for Scenarios 1 and 2. Although Scenario 3 does not fully bridge the gap under **WORST** case financial forecasting (deficit of £150k to be funded from reserves, allowing a balanced budget to be set in 2017/18), under **BEST** and **LIKELY** case forecasts it would allow us to set a balanced budget as far as 2018/19. This would still require a review of wholtime duty systems and harmonisation of crewing arrangements for aerial appliances across the two Services; however,

this would not involve compulsory redundancies or an increase in emergency response times for frontline fire engines. The transitional risks for Scenario 3 are largely around the change in governance and transition to a new combined Service. Through political and managerial oversight, the risk associated of establishing a new combined CFA, and harvesting the associated financial savings, are deemed to be less than tackling a comprehensive programme of cuts to service delivery and support departments.

Table 33 Summary risk rating to achieve a balanced budget in 2017/18			
Risk impact (if risk occurs)	Scenario 1	Scenario 2	Scenario 3*
Service delivery	H	M	L
Governance and legal	M	M	M
Reputation	H	H	L
Transition	H	H	M
Adverse risk rating on <i>LIKELY</i> case <i>financial deficits</i>	H	M	L
Ranking (1 BEST, 3 WORST)	3	2	1

* Following wholetime duty system review and harmonisation of crewing arrangements for aerial appliances across Dorset and Wiltshire

5.5 Equality analysis

The principal impacts arise from the potential cuts to front-line service delivery required to set a balanced budget in 2017/18. Although the precise nature of the cuts have yet to be determined, any cost cutting programme of the order of that suggested by Scenarios 1 and 2 will inevitably result in a reduced capacity to carry out prevention work carried out by wholetime/on-call firefighters and corporate staff, which has contributed to a reduction in fires, fire deaths and road traffic collisions over the past years. A reduction in frontline staff or downgrading of stations will result in an increase in response times to fires and incidents. All protected characteristics (especially Age/Disability), and those living in vulnerable premises (such as thatched properties or areas prone to spate conditions such as flooding), could be adversely impacted. This could put the vulnerable within our society at greater risk. The need to reduce corporate staff numbers may lead to enforced redundancies, increased workload for remaining staff and a lack of opportunity to progress within the organisation. As can be seen from the financial analysis under **BEST** case, the forecasted financial position in 2017/18 for Scenario 3 is £1.2m surplus, with the **WORST** case projections being a £150k deficit, although this can be bridged using transformation reserves. Under this scenario there will be positive community impacts, as frontline services will be protected, with the number of home safety checks doubling to 28,000 by 2017/18, and fire safety hours increasing from 19,500 to 21,000.

Table 34 Principal equality impacts to achieve a balanced budget in 2017/18			
Adverse impact rating	Scenario 1	Scenario 2	Scenario 3*
Adverse impact rating on <i>LIKELY</i> case financial deficits	H	M	L
Ranking (1 BEST, 3 WORST)	3	2	1

* Following wholetime duty system review and harmonisation of crewing arrangements for aerial appliances across Dorset and Wiltshire

5.6 Environmental analysis

The environmental analysis is shown in the table below. The principal relationship to environmental impacts is the degree to which the Service can reduce fire and other emergencies. As the financial challenges grow, so the capability and capacity of the Service will fall. This will mean that fires will take longer to attend and be more challenging to deal with. This will give rise to much higher levels of carbon release, waste and run-off. Internally, a new combined Service will be covering a much greater area; although even when combined we will be smaller than our immediate neighbours. This will inevitably mean that officers and managers will be travelling more. This can be partially offset by a greater use of mobile technology, video conferencing and the location of a strategic hub in the Salisbury area.

Table 35 Principal environmental impacts to achieve a balanced budget in 2017/18			
Adverse impact rating	Scenario 1	Scenario 2	Scenario 3*
Adverse impact rating on <i>LIKELY</i> case financial deficits	H	H	M
Ranking (1 BEST, 3 WORST)	3	2	1

* Following wholetime duty system review and harmonisation of crewing arrangements for aerial appliances across Dorset and Wiltshire

5.7 Overall summary

The criteria used to assess each option are:

- ◆ Financial
- ◆ Community safety and partnership working
- ◆ Governance and legal
- ◆ Risk
- ◆ Equality
- ◆ Environmental

Each has been ranked according to these criteria, with a score of 3 representing the **WORST** and 1 the **BEST**. The table below shows the overall ranking of the option assuming that each carries the same weighting.

Table 36 Overall ranking of scenarios			
Ranking (3 WORST 1 BEST)	Scenario 1	Scenario 2	Scenario 3
Financial	3	2	1
Community safety and partnership working	3	2	1
Governance and legal	1	1	1
Risk	3	2	1
Equality	3	2	1
Environmental	3	2	1
Total score (lowest score BEST, highest score WORST)	16	11	6
Ranking (1 BEST, 3 WORST)	3 (WORST)	2	1 (BEST)

6 Consultation feedback

6.1 Overview of consultation process

The public and stakeholder consultation process has been extensive. An independent process was led by Opinion Research Services. The Consultation Institute validated the overall approach and was assessed by the Institute as complying with good practice against its Quality Assured Consultation Scheme. The process ran for 13 weeks from the 21 July through to the 20 October 2014. An Inclusion Impact Assessment was undertaken as part of the planning and delivery process led by professionals in this field.

The key elements included:

- ◆ A range of documents being made available including
 - Public consultation leaflets and questionnaire
 - Draft business case for combination
 - Draft vision for combination
 - 2020 strategic assessment
- ◆ Information was sent to a large number of key stakeholders, including MPs, partners, neighbouring FRSs, local authorities and community groups, in accordance with the engagement plan.
- ◆ On-line consultation portal with links from both websites.
- Consultation documents and questionnaires were delivered to every library in Dorset, Bournemouth, Poole, Wiltshire and Swindon, together with an A3 Poster. Leaflets were also sent to a large number of public buildings. Posters were distributed for display to fire stations, together with consultation documents for station visitors.
- 12,000 postal questionnaires were sent to a representative sample of residents in Dorset, Bournemouth, Poole, Wiltshire and Swindon areas.
- Presentations were given to all constituent authorities and other stakeholders upon request
- A number of reminder letters, emails and press releases were sent, including a general notice on all press releases advising the consultation period
- Social Media, Twitter and Facebook were used to promote the consultation process, along with CFO blogs and podcasts.
- A consultation telephone and email helplines were provided.

- Central staff and representative body briefings were conducted, as well as to every watch and station. Promotion and reminders were sent by e-mail, internal newsletters and through wage slips.
- Residents Forums were independently facilitated by ORS in the following locations:

Dorset

Thursday 18 September at Town Council Building, Gillingham

Monday 22 September at Council Chamber, Wimborne

Tuesday 23 September at Greystones Hall, Highcliffe

Wednesday 1 October at SafeWise Centre, Weymouth

Thursday 2 October at Town Council Building, Bridport

Monday 6 October at Purbeck Comprehensive School, Wareham

Tuesday 7 October at Bournemouth Learning Centre, Bournemouth,

Wednesday 8 October at Poole Fire Station

In addition, there was a business forum and voluntary group forum in Bournemouth on Tuesday 7 October.

Wiltshire and Swindon

Wednesday 24 September at City Hall, Salisbury

Thursday 25 September at Athenaeum Hall, Warminster

Monday 29 September at Golf Club, Marlborough

Thursday 30 September at Westlea Fire Station, Swindon

Thursday 9 October at Assembly Rooms, Malmesbury

Monday 13 October at Town Hall, Chippenham

Tuesday 14 October at Trowbridge Fire Station

Wednesday 15 October at Corn exchange, Devizes

In addition, there were business forums and voluntary group forums in Swindon and Salisbury.

6.2 Feedback

The results of stakeholder consultation are provided in a full report from Opinion Research Services, who will also present the key findings to Members at their seminar on the 31 October and at the DFA on the 4 November. However, a summary is provided of some of the core stakeholders' responses to support this business case.

a) Local political opinion

Bournemouth Borough Council - The Council are in support of Scenario 3 in that it could yield greater potential budgetary savings, increased resilience and greater opportunities to provide new and improved ways of working. They also comment on the greater opportunities for engagement with a wider and more diverse community and stakeholder group. They did seek an assurance for a firm commitment by the new authority to have specific and regular discussions on the provision of service in Bournemouth.

Dorset County Council - Formally Dorset County Council passed a resolution on the 22 October that agreed and supported Scenario 3.

Members of Parliament for Bournemouth, Dorset and Poole - There have been two briefings for MPs and a number of individual discussions. In discussions with the Chief Fire Officer and within the briefings undertaken, the vast majority of MPs have expressed their support for any solution that best protects frontline services. There have been four formal responses and these are shown in Appendix B of the public consultation report.

For the information of Members, the following are the findings from Wiltshire:

Wiltshire Council - The political debate has been particularly active in Wiltshire. Formally Wiltshire Council passed a resolution on the 21 October that 'This Council understands the financial challenges that the Fire Authority faces and appreciates the work that has been done to spell out the options for the future as set out in the consultation document and the draft business case. This Council has concerns about the gap in funding, the uncertainty with regard to equalisation of precepts and the governance arrangements which could disadvantage Wiltshire. The Council seeks assurance in these matters and prefers not to commit to any option until such time as these issues are resolved. Whichever option the Fire Authority decides, this Council would welcome closer cooperation to reduce costs in both organisations.'

Swindon Borough Council - In discussions with officers, Swindon Borough Council wished to avoid frontline service cuts that may include reductions in Swindon and a degradation of partnership working. The Cabinet considered the matter at its meeting on 10 September and authorised the Director of Law and Democratic Services, in consultation with the Leader of the Council and political groups leaders on the council to develop, finalise and submit the councils response. This was that 'Swindon Borough Council is supportive of Scenario 3 (merge with Dorset Fire Authority and increased collaboration with local partners) whilst recognising that there are a number of issues to be resolved before any final view could be taken, in particular around:

- ◆ The funding gap identified in the Consultation Paper;
- ◆ The equalisation of precepts and the impact on Swindon residents; and
- ◆ The governance arrangements of the proposed merged authority and what assurance can be given that the views of the relevant constituent authority are given full weight when considering matters relating to that authority's area.

Members of Parliament for Wiltshire and Swindon - There have been two briefings for MPs and a number of individual discussions. In discussions with the Chief Fire Officer and within the briefings undertaken, the vast majority of MPs have expressed their support for any solution that best protects frontline services. However, one MP has been particularly outspoken in support of the fire and rescue service remaining within the current governance arrangements.

Police and Crime Commissioner - The Dorset Police and Crime Commissioner has responded to say that it is clear that Scenario 3 appears to be the most practical option for maintaining services and making the required savings over the years ahead. He did raise the following issues:

- ◆ It was not clear what potential mergers with other fire authorities were considered and why they were potentially ruled out and if potential partnerships such as the H3 Partnership in Hampshire were considered.
- ◆ He was unsure what the impact of the merger would mean in real terms? (structure, staff numbers, impact on estate). He was also concerned over the potential make-up of the combined fire authority.

He requested reassurance that the proposed merger would not hinder further collaborative work with Dorset Police.

b) Residents

There is overwhelming support for Scenario 3 from residents in the qualitative Forums. The main reasons for this support were that Scenarios 1 and 2 do not provide levels of savings that best protect frontline service provision. The sharing of governance and democratic control was less important to them, than the need to protect frontline services and being more efficient with public money.

c) Business and voluntary sector

In much the same way as the public, both the business and voluntary sectors shared the same views. Despite a great deal of effort by ORS with support from DFRS, attendance at the voluntary and business sector forums was disappointing. Nevertheless, ORS have judged that those who were able to attend were able and qualified to scrutinise the proposals in detail.

For the information of Members, the findings from Wiltshire and Swindon show a clear majority in favour of Scenario 3 and the presentation from ORS will contain more information on this.

d) Staff

An extensive programme of staff engagement was undertaken with senior managers holding 36 briefing sessions for the four staff groups (ie wholetime firefighters, on-call firefighters, Fire Control and support staff) and this is detailed in Appendix B of the public consultation report. Staff were not asked to register their views in open meetings but were encouraged to complete the on-line or written questionnaire. During briefings, staff raised a number of questions associated with concerns for job security (largely corporate staff), and any changes to terms and conditions or future cuts to frontline services. The views of staff will be reported to Members as part of the presentation by ORS.

e) Representative bodies

Fire Brigades Union - No opinion was directly expressed in relation to the scenarios. The FBU have stated that they believe that local, as well as national, political decision-making have created the financial circumstances being faced by us. They believe that that the consultation approach was flawed in so far as the fire authority should have consulted the public over a greater fire-precept level to create a financially sound situation that is less reliant on the retained duty system and allows the age profile of the workforce to be rebalanced. They have expressed some concerns about the future democratic accountability of any new fire authority and sought assurances that there will be no reductions in fire stations, appliances or uniformed station based posts and that employment terms and conditions will be protected.

UNISON - has responded that it acknowledges that a merger with Wiltshire and Swindon Fire Authority, to create a single combined fire authority, while also collaborating with other local authorities is the preferred option for support staff and that a fire to fire merger is the only way that significant savings can be made without implementing drastic cuts to both support staff and front line service delivery. They identified a significant concern about travel distances involved and that senior managers must have a realistic expectation of staff workloads. Unison opposes any compulsory redundancies amongst support staff as well as any erosion of current terms and conditions.

Fire Officers' Association - The view of the Fire Officers' Association is that Scenario 3 is the preferred of the three options. They agreed with the vision of a safe, strong and sustainable fire and rescuer service, making our communities safe in the future, while protecting and strengthening front-line services. They recognised the detailed planning undertaken that had put the service in a good position to move forward. They expressed concern with regard to the pressure and workloads that delivering a new fire and rescue service would create while continuing to deliver everything that is currently expected. They raised concerns over the possibility of considerable opportunities for savings within flexible duty officers regarding uncertainty around a joint flexible duty rota and the contractual changes that this may require.

Appendix B of the public consultation report also contains details on comments made as consultation responses and the issues raised both internally and externally. The results and comments from the on-line and written questionnaires which form part of the presentation by ORS have been made available to Members prior to this meeting.

f) Key findings from ORS on the Qualitative Forums

ORS have confirmed that the consultation was conducted at a formative stage and the consultation information gave the public and stakeholders sufficient time to participate. Through the consultation document and its website information, the public were provided with informative background information

Forum Findings

- ◆ After reviewing the evidence and issues associated with each of the options in detailed discussions in small groups, the participants were asked to award 'scores' to each of the options, to indicate their relative preferences; and, in order to avoid an undue emphasis on 'group-thinking', all participants were also asked to register their first and second preferences separately as individuals. For the scoring exercise, each round table group within the forums were given '100 points' to allocate between the options, and then the group scores were totalled to generate an overall score and ranking for the meeting as a whole.
- ◆ Scenario 3 (a merger of the two Fire Authorities) was the most popular choice by an overwhelming margin. For example:

In terms of the points awarded, Scenario 3 was more than 13 times more popular than Scenario 1, and almost five-and-a-half times more popular than Scenario 2

In terms of 'first choices', Scenario 3 was almost 30 times more popular than Scenario 1, and almost 17 times more popular than Scenario 2

- ◆ In terms of the numbers of people across all the forums selecting Scenarios 1 and 2 as their 'first choices', Scenario 2 was 1.75 times more popular than Scenario 1, with seven first choices for Scenario 2 and four first choices for Scenario 1. The points scores show Scenario 2 as significantly more popular than Scenario 1 (almost two-and-half times more popular).
- ◆ Therefore, the overall hierarchy of support is:

Scenario 3 - overwhelmingly the most popular, by a very large margin.

Scenario 2 - more popular than option 1 on first choices, along with a superior points score.

Scenario 1 - a very distant third in comparison with Scenarios 3 and 2.

- ◆ There were no significant area variations insofar as Scenario 3 was overwhelmingly the most popular choice across all the forums - a remarkable degree of consensus. The main reasons for people favouring Scenario 3 so markedly were that:

Most participants thought there is more affinity between the two fire and rescue services than with their respective local authorities: they were 11 times more likely to believe that DFRS has greater affinity with Wiltshire FRS than with their local authorities.

Most participants also valued the specialisation and the synergy of two fire and rescue services working together rather than DFRS co-operating primarily with its local authorities

Most participants valued the efficiency of a fast and effective emergency response service above locally-run services; they felt that making 'local services' a key priority was unrealistic for a life-and-death emergency service.

- ◆ The dominant theme was that local authorities are not the most suitable partners for emergency services because there is little synergy between their respective operations, and local government has problems of its own to deal with.
- ◆ Scenario 3 was not seen as simply a financial necessity, for many considered it to be sound public policy regardless of immediate financial considerations: that is, the majority agreed with Scenario 3 in principle, for the sake of efficiency and resilience.

Findings from Consultation Questionnaires

The data from the questionnaires sent to libraries, fire stations and other public buildings, together with the on-line questionnaire (open consultation questionnaire) showed a clear absolute majority of respondents expressing a first preference.

In the household survey, Scenario 3 has the majority of first preferences and ties with Scenario 1 on a fuller analysis.

As mentioned above, it is felt by ORS that all elements of the consultation are important and none should be disregarded, but the forums provide Members with the opportunity to reflect on the views of residents who have been able to explore the arguments in depth and the reasons for people's opinions and this shows an overwhelming support for Scenario 3.

6.3 Summary

In summary, and with a number of exceptions, the overwhelming feedback from the extensive public and stakeholder consultation supports Scenario 3 on the basis that it provides for better protection of frontline services. Public support throughout Dorset, as gauged through the residents' forums and surveys, was strongly in favour of Scenario 3 being pursued.

7 Conclusions

7.1 Overview against business case aims

a) Continue to be financially secure now and in the future to maintain front-line services

Scenarios 1 and 2 provide **LIKELY** savings of between £0.56m and £1.3m, leaving remaining financial deficits in the order of £1.75m and £1m respectively by 2017/18 growing to £2.6m-£1.9m in the following year. Scenario 3 finds collective (i.e. Dorset FRS and Wiltshire FRS) **LIKELY** case savings of £4.5m, which could increase to £6m with the harmonisation of wholetime duty systems and crewing arrangements for aerial appliances across Dorset and Wiltshire. This would not involve compulsory firefighter redundancies and would maintain our current emergency response times for frontline fire engines. This would allow a balanced budget to be set in 2017/18 even under the **WORST** case savings options.

In Scenarios 1 and 2 our financial reserves available to support transformation will all be exhausted in the 2017/18 financial year. The additional savings provided by Scenario 3 mean that under the **BEST** case and **LIKELY** case savings options there would be sufficient reserves available to set a balanced budget as far as 2018/19, dependent on future fire precept levels, although there would still be a base budget gap to address. With the **WORST** case savings option an additional £0.8m of savings would be required to set a balanced budget in 2018/19, although even this gap may be addressed by an initial 8.3p per week fire precept harmonisation in Wiltshire.

All three scenarios could be adversely impacted by decisions, locally or nationally, on the level of fire precept. Scenarios 1 and 2 could show additional deficits of up to £350k if the planned 2% rise for 2015/16 is not available. Further precept freezes in the following two years could see these deficits increase by up to £1m, assuming that no long-term sustainable financial support is put in place within the central grant formula. In Scenario 3 the additional deficit could be up to £650k if precept levels in both Dorset and Wiltshire for 2015/16 are not as assumed in the current medium term finance plans.

Scenario 3 will require harmonisation of fire precept levels with Wiltshire and there are 3 options for doing this. Options A and B would harmonise the fire precept in April 2016 and would require fire precept increases in Wiltshire and Swindon of between £2.91 (Option B) and £4.32 (Option A), based on current projections but would not affect the level of fire precept paid for by Dorset residents. These financial increases equate to fire precept increase of between 4.5% and 6.7% and require Ministerial approval to stay within local referendum principles. This increase represents an additional burden of 5.6p to 8.3p per week for Band D households or up to a 0.2% increase on the total council tax burden for a Wiltshire and Swindon resident. Option C which harmonises the fire precept over a five year period, could add significantly to the financial deficit faced by the new CFA by around £368k in 2016/17 and rising to over £800k within 4 years. However, the Minister has so far been very supportive of harmonisation under Options A and B and has indeed suggested a positive route forward on this issue.

The success of the joint funding bid against the DCLG Transformation Fund, and the allocation of £5.54m of transformation funding, provides substantial support to the combination. This reduces both the financial risks during the transition period and significantly strengthens prevention and partnership opportunities within Wiltshire and Swindon.

b) Maintain, and where possible, improve operational performance to strengthen front-line services

The financial imperatives facing us are such that significant cost reduction must be undertaken. Change needs to be initiated quickly to achieve longer term financial sustainability. Scenarios 1 and 2 still leave significant financial gaps (£1.75m and £1m **LIKELY** case in 2017/18 (growing to £2.6m and £1.9m in the following year) and would mean that significant cuts or changes to service delivery would need to occur. Although the RRP Board and Risk Reduction Management Group have developed a number of business cases, the precise cost cutting programme would still need to be determined. Under Scenario 3, a balanced budget could be set avoiding the detrimental changes to service delivery in the two counties. We would be a more operationally resilient organisation able to take advantage of greater economies of scale. The levels of prevention activity would double across the new Authority area and remain a strong active partner in the community safety agenda. This change can be undertaken without the loss of local operational identity or unsettling of the public should that be desired by Members.

c) Maintain, and where possible, improve organisational performance and resilience

Once again, the financial imperatives are such that any cost cutting programme will further exacerbate the strain being placed upon our limited resources and the worrying level of organisational resilience that we have in corporate support departments. Scenarios 1 and 2 could afford some opportunities to improve this, however due to the complex legal and governance issues associated with permanently sharing operational command structures, savings from a shared services relationship with Wiltshire remain limited. This means a significant financial deficit remains, inevitably necessitating a cost cutting programme with significant impacts on organisational performance and resilience. Scenario 3 requires significant changes in governance arrangements with a new Combination Order, but allows a 'fire to fire' relationship that maximises all available savings. It provides opportunities to rationalise, and strengthen, back office and corporate functions. As a larger CFA, we would be a more influential partner, with greater opportunities available to help maintain organisational performance and resilience. All scenarios provide for closer working with local authorities, the police and other partners with the ultimate aim of delivering joined up and more seamless services to the public. By avoiding cuts or adverse changes to service delivery, Scenario 3 creates the best fire foundation to support such a vision.

7.2 Summary

In summary, it is the preference of Chief Fire Officers, Treasurers and senior management teams to support Scenario 3 and initiate a formal combination with the Wiltshire and Swindon Fire Authority. The results from the consultation exercise overwhelmingly support this view. Whilst all scenarios have their merits, Scenario 3 provides for the greatest level of financial savings. This opens up greater opportunities to allow us to protect front-line services now and in the future, improve organisational performance and resilience and be financially sustainable, potentially as far as 2018/19. This scenario will require the harmonisation of the fire precept across Dorset and

Wiltshire, from April 2016, although this will mean a likely increase for Band D Wiltshire and Swindon residents of between £2.91 and £4.32 (5.6p-8.3p per week), and requires Ministerial approval - a point that they have consistently been positive about. Any delay in the harmonisation of precept levels could add significantly to the financial deficit.

Scenario 3 will require considerable changes to the future governance of a new Combined Fire Authority. The new CFA would be able to operate at both a local community based level through its fire stations and would also enjoy the benefits of being a more influential partner. This change would be managed over the next three years, without the loss of local operational focus. DCLG have shown their support for the Combination with the allocation of £5.54m from their £75m Transformation Fund should Scenario 3 be the favoured route for both authorities.

Background documents

In addition to the appendixes contained within this report, there a number of other documents made available on our website that directly support and inform this business case. These are

- ◆ Statutory and legal compliance register
- ◆ Scenario 3: Draft vision statement
- ◆ Safer 2020 Strategic assessment
- ◆ Strengthening our fire and rescue service. Public consultation 2014
- ◆ Strategic options appraisal.
- ◆ Consultation report from Opinion Research Services to CFA 11 November 2014
- ◆ Risk analysis
 - Transitional risk assessment for new CFA
 - Scenario 1
 - Scenario 2
 - Scenario 3
 - General financial reserves for new CFA
- ◆ Equality analysis
 - Scenario 1
 - Scenario 2
 - Scenario 3
- ◆ Environmental analysis
 - Scenario 1
 - Scenario 2
 - Scenario 3
- ◆ Audit reports on savings and investments from Swindon Borough Council, South West Audit Partnership and KPMG

Appendix 1 - Issues associated to moving to a new combined fire authority

a) Introduction

Should Scenario 3 be the preferred choice of Members there are considerable issues still to be decided to ensure that the future governance arrangements of the new combined fire authority are lawful and politically appropriate. Discussions are currently being held within the Combination Oversight Board. The following sections therefore contain early thoughts on possible arrangements and should not be taken as final proposed solutions. Final steady state and transitional governance arrangements will be tabled at December's Fire Authority meeting should Scenario 3 be favoured.

b) Securing a Combination Order

Any formal combination will need a scheme to be agreed by the Secretary of State for Communities and Local Government to allow us to create a new Combined Fire Authority. This scheme is put in place using a combination order under the Fire and Rescue Services Act 2004. The Secretary of State effectively makes the order if the new combined fire authority increases economy, efficiency and effectiveness, or public safety. Before getting parliamentary approval, they must consult anyone affected by the order including allowing 40 sitting days for MPs to consider the Order and to raise a resolution against it should they wish to do so. The process itself is relatively straightforward. The scheme deals with all aspects of creating a single new fire authority out of two existing ones. In particular it must set out:

- ◆ governance and financial arrangements;
- ◆ the transfer of staff, property, rights and responsibilities;
- ◆ buying and disposing of land; and
- ◆ the transfer of contracts and legal agreements.

The new CFA would be set up by 1 April 2016 to coincide with the new financial year and allow time for the Government to agree to the legal changes. As part of moving towards the new CFA, we will need to put shadow arrangements in place by creating a shadow CFA. This committee would develop all future policies and plans for the new CFA once it is established. The shadow arrangements would not undermine the existing CFAs. All proposals would need to be approved by our respective CFAs.

While the Combination Order would largely be a matter for government officials, we would need to start working on these local issues soon after it was agreed to combine. The aim would be to have the shadow CFA familiar with the new arrangement and able to propose a budget and integrated risk management plan ready for 1 April 2016.

c) Transferring corporate-level contracts

Even though all contracts are transferred to the new fire authority, any savings that might arise from having single corporate licences and contracts would need to be negotiated with local suppliers. This may involve getting legal and contractual advice during the transition period.

i. Property rights and responsibilities

When the new CFA is created, all existing property rights and responsibilities would be transferred as part of the formal Combination Order. As part of the shadow arrangements, we would need to develop a property asset plan to support future planning for managing risk.

In effect, should this scenario prove to be the favoured scenario of both FRAs, then we would submit our business case and draft combination scheme to DCLG in December 2014. We would not have the Order confirmed until October 2015. Recent discussions with the Fire Minister have indicated that this timetable can be compressed such that the Order can be confirmed before the General Election.

d) Establishing new governance arrangements

As part of the move to the new CFA, the main areas of work that would be needed include agreeing the:

- ◆ Name for CFA and the Service
- ◆ Fire Authority composition
- ◆ Steady state governance arrangements
- ◆ Shadow governance arrangements;
- ◆ Appointing a senior management team.

i. Name of Authority and Service

Whilst the Combination Oversight Board did not determine a preference, enquiries in respect of any use of the word 'Wessex' has indicated that this would not be legally possible as currently there is a private organisation known as 'Wessex Fire and Rescue Service'. Whilst there is merit in the use of a new name for both the Authority and Service, there is also merit in retaining at least the existing county names to provide for identity, brand and pragmatic issues associated with electronic name searches. Officers therefore consider that there are three possible options for the name of the Authority and Service.

- ◆ Dorset and Wiltshire Fire Authority
- ◆ Wiltshire and Dorset Fire Authority
- ◆ Southern Counties (or variation thereof) Fire Authority

Whilst there may be a preference for a final decision to be made by the two constituent fire authorities, it will be necessary to agree the name of a new Authority for inclusion in any potential Combination Order that will need to be submitted in December 2014.

ii. Fire Authority Composition

Throughout the process of due diligence, public consultation and wider consultation with stakeholders, including constituent councils, there has been a focus on the potential to retain the existing levels of representations and provide for a new Authority of 28 Members.

The membership of 28 would comprise the existing membership of the Dorset Fire Authority (Dorset County Council = 8, Bournemouth Borough Council = 4, and Borough of Poole = 3) and also the existing membership of the Wiltshire and Swindon Fire Authority (Wiltshire Council = 9,

and Swindon Borough Council = 4). In order to further validate these numbers, we have taken the latest overall population figures from the Office for National Statistics and recalculated each Authority's share of a combined Dorset and Wiltshire and Swindon Fire Authority and applied those shares to an Authority of 28 Members. The results are set out below:

Table 1 Fire Authority Composition by using Office for National Statistics data						
Name	Wiltshire	Swindon	B'mth	Poole	Dorset	Total combined population
All ages	479,634	214,037	188,733	149,009	416,721	1,448,134
Entitlement to places on a new combined authority	9.273	4.138	3.649	2.881	8.057	

As whole numbers, Bournemouth is entitled to three places, Poole to two places, Swindon to four, Wiltshire to nine and Dorset to eight - making a total of 26. At 2.2881 Poole is more entitled than any other council to the 27th place on the Authority (lifting Poole to three places) and Bournemouth at 3.649 is more entitled to the 28th place on the Authority (lifting Bournemouth to four places).

These figures replicate the current entitlements to the Dorset Authority and the Wiltshire and Swindon Authority and so there is no disturbance of the status quo.

During discussions with local Fire Authority Members and respective constituent councils, there have been a number of views regarding the potential need for equality of Members from each combined fire authority to a new Authority. There have also been assurances sought from constituent councils that the level of membership at least initially will remain at current levels. Conversely some existing Fire Authority Members have suggested that a full Fire Authority of 28 may be too large.

Whilst there is no statutory limit on the size of the Fire Authority, there are many Combined Fire Authorities with 25 members. This is particularly common where the Combined Fire Authority represents a large number (4 or more) of constituent councils and therefore needs to ensure adequate representation. In terms of allocations, whilst CLG officials have indicated that numbers and allocation is a matter for any new Combined Fire Authority, traditionally this has been done on the basis of the population share of the constituent council.

A pragmatic way forward to address all concerns and to maintain assurance to constituent councils may be to provide for an additional two Members comprising one new Member each nominated from Swindon and Wiltshire. Whilst this will take the full Authority to 30, the potential inclusion of a Policy and Resources Committee would ensure that the Fire Authority maintains agility and focus, particularly in the early years.

As previously mentioned the creation of local policy and scrutiny committees would ensure that all Members have a meaningful role and contribution to the Fire Authority as well as providing necessary assurance to their constituent authority.

As with other governance arrangements, the constitution of the full Fire Authority could be included within a governance review to be completed by April 2018.

iii. Shadow Governance Arrangements

The Department of Communities and Local Government (DCLG) will require any submission for a Combination Order to be supplemented by outline arrangements for the shadow Fire and Rescue Authority. The shadow FRA needs to be created to take the necessary decisions to enable a legally constituted organisation to be established in readiness for 1 April 2016. The normal protocol is that the shadow FRA arrangements would become active once the Combination Scheme has been laid and made before Parliament. However, DCLG guidance also suggests that work commences as early as possible on key issues associated with top team selection, contract procedures and governance arrangements to avoid any delays. Members will also be aware that the earlier shadow arrangements commence, the earlier savings can begin to be realised, which will limit the use of our reserves during the transition period and ensure solvency until 2018/19.

Currently the Combination Oversight Board consists of five Members from each Fire Authority which includes both Chairs and Vice-Chairs. In order to provide a degree of continuity, it may be appropriate that the arrangements for the Combination Oversight Board form the actual or core of the shadow board during 2015/16. Whilst it will be necessary to have at least one meeting of the full Fire Authority in 2015/16 (for budget and fire precept purposes, approval of auditors and key policy approval), it is possible that the shadow board would have appropriate powers to establish the basis of a new Fire Authority.

The terms of reference for the shadow board would include:

- ◆ Creating the agreed Fire Authority procedures and governance arrangements.
- ◆ Monitoring the reconciliation of key policies and procedures.
- ◆ Where necessary, agreeing any changes to the final Combination Scheme.
- ◆ Participating in ongoing consultation and stakeholder engagement activities.
- ◆ Make recommendations to the new Authority on the initial Integrated Risk Management Plan, Community Safety Plan and key underpinning strategies.
- ◆ Monitoring the roll out of departmental functional reviews and the development of new structures necessary to make appropriate savings.
- ◆ Consideration of issues relating to the Alternative Notional Amount (ANA), provisional grant settlement and fire precept levels to make recommendations in respect of the 2016/17 budget.
- ◆ Forecasting future budget requirements and savings and ensuring the development of a medium term finance plan and strategy for approval by the Authority.
- ◆ Making recommendations to the new Authority in respect of assets and liabilities transfers.
- ◆ Ensuring that transitional work and departmental reviews take account of the statutory and compliance framework.
- ◆ Monitoring strategic risks associated with year 2015/16 and the establishment and recommendation of a corporate risk register for the new Authority.
- ◆ Monitoring operational assurance plans for the transition plan.

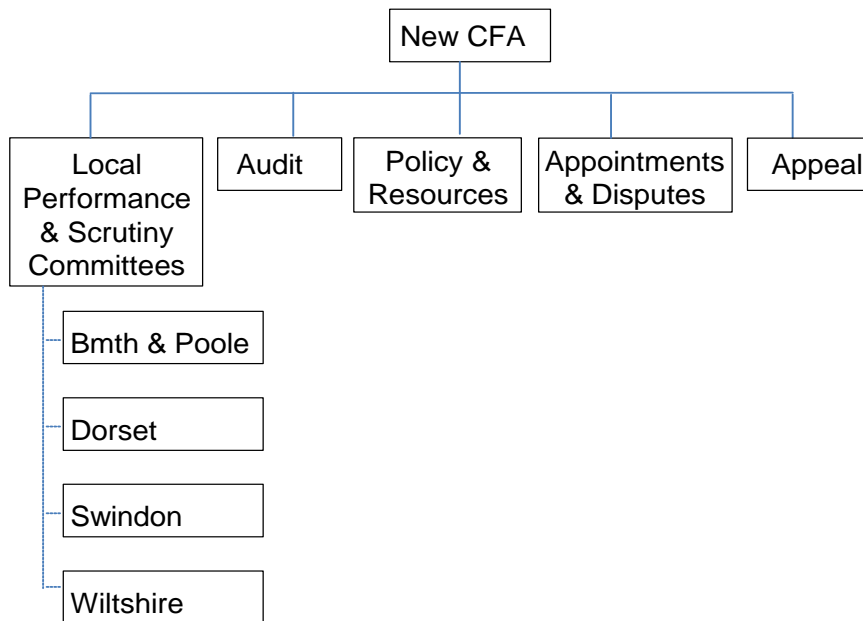
- ◆ Overseeing arrangements for steady state governance, including matters associated with standing orders, contract procurement rules, finance and administrative regulations and composition, powers and duties of committees and delegations to make recommendations to the new Authority.
- ◆ Consider a draft code of conduct and Member development policy for approval by the new Authority.
- ◆ Making recommendations for the adoption of a scheme of Members Allowances.
- ◆ Monitoring the development of a new corporate brand and image.
- ◆ Monitoring implementation of the transformation bid and any associated reporting criteria.
- ◆ Monitoring issues associated to workforce engagement, development and cultural change.
- ◆ Ensure there is an appropriate communications and engagement strategy in place that addresses all stakeholder requirements during the transition period and in readiness for a new Authority.

Once the terms of reference and priorities are agreed then it will be possible to develop a work programme for the shadow board with anticipated meetings on a bi-monthly basis.

iv. Steady State Governance Arrangements

Each Fire Authority also currently has a number of sub working groups and ad hoc committees that discuss and make recommendations in respect of matters associated with their Integrated Risk Management Plans, budgets, policies and staffing. In determining the optimum governance arrangements for any new Authority, officers have been particularly mindful of feedback from Fire Authority Members, constituent councils, Area Boards and local politicians. It is also necessary to ensure that the governance arrangements provide appropriate levels of compliance with statutory requirements, and indeed wider transparency and accountability that our communities would expect.

As a starting point, should Scenario 3 be approved, then officers would recommend the following structure be considered by the COB and thereafter the constituent Fire Authorities. Furthermore, it is recommended that the structural arrangements are reviewed by April 2018.



Whilst precise terms of reference would need to be agreed, the following sub-sections provide a narrative and suggested constitution for the governance structure.

Policy and Resources Committee

With an initial Fire Authority of at least 28 Members, it is felt that a Policy and Resources Committee would be useful in terms of closely monitoring the transition to steady state and addressing any unforeseen urgent matters or business of the new Authority.

It is anticipated that within the first two years this committee would meet on a quarterly basis and consider milestones, targets and indicators which have been agreed as part of the transition journey. Whilst nominations and allocations will be a matter for the new Fire Authority, there may be some benefit in learning from the arrangements of the COB structure and any shadow arrangements in finalising the constitution of the Policy and Resources Committee.

A potential composition could be a membership of 10 Elected Members allocated on an equality of two per constituent authority allowing a quorum of five with a requirement that each constituent council is represented. Other options include allocation on political proportionality or equal allocation based on former fire authority areas.

Table 1 Policy and Resources Committee				
Bournemouth	Dorset	Poole	Swindon	Wiltshire
2	2	2	2	2

Local Performance and Scrutiny Committees

Creating a new CFA could give rise to opportunities to strengthen the local responsibilities of the new fire and rescue service. Organisational issues such as finance, managing assets and audit could be looked at by a general purpose Audit Committee. Assessing operational performance and effectiveness could be linked to local areas and communities through localised performance and scrutiny committees. This would mean that the integrated risk management planning could be more closely matched to local risks and needs. We could strengthen the involvement of our partners by designing our new command structures to fit with local-authority boundaries, area boards and locality teams. Local people, elected members and community groups would have a closer involvement in the work of the new fire and rescue service. People at the local level will be in our decision making and create more local involvement and create more local opportunities to reduce risks. In so doing we would benefit from the insight of local people to develop more focused and creative solutions.

In order to ensure that there is a clear focus on standards of service delivery, and indeed local political leadership, accountability and transparency, officers believe there is merit in the establishment of four local policy and scrutiny committees serving the localities of Swindon, Wiltshire, Bournemouth and Poole and Dorset. The local performance and scrutiny committees would focus on appropriate targets and standards in respect of our statutory duties associated with prevention, protection (legislative fire safety) and of course response. The local performance and scrutiny committees would receive quarterly monitoring reports on a dashboard basis showing performance in these areas and narratives in relation to essential local partnership activity. It will then be possible for quarterly assurance reports to feed in to a corporate quarterly assurance report that will be considered by the full Authority.

In addition to reviewing and monitoring performance, the local performance and scrutiny committees would also be responsible for the initial consideration and development of any proposals associated with changes in service delivery. This could range from the necessity to make changes to crewing arrangements to reallocation of stations. Whilst the final decision would be a matter for the full Authority, the involvement of local performance and scrutiny committees will ensure that there is comprehensive consideration of any proposals considered by the full Authority.

In order to provide the necessary level of local Member involvement, and of course integrating within wider Fire Authority business, the constitution of local performance and scrutiny committees could be made up of four Members from the relevant constituent authority in relation to the local performance and scrutiny committee and three Members from the wider Fire Authority. There is also the option to co-opt two Members from the appropriate constituent council who are not Members of the Fire Authority but can provide appropriate challenge and thereafter ensure there is further accountability and assurance to their local council.

With a Fire Authority membership of seven for quorum purposes this could be set at five with a requirement that three must be Fire Authority Members from the appropriate constituent council. Co-opted members would not form part of the quorum and would have no voting powers in terms of any delegation to the Committee or any recommendation the Committee makes to the full Fire Authority.

Table 2 Local Performance and Scrutiny Committees				
	Swindon	Wiltshire	Bmth & Dorset	Dorset
FA Membership	7*	7	7	7
Co-opted councillors	2	2	2	2

* Note numbers need to be considered as Swindon currently have 4 Member places on the Wiltshire and Swindon Fire Authority

In addition, to the benefits of strengthening both service delivery and accountability, these committees will help ensure there is a meaningful local role for all Fire Authority members.

General Audit Committee

The General Audit Committee would be responsible for statutory compliance and would deal with issues associated with external audit, internal audit, and statement of assurance and closure of accounts. This business is somewhat mandatory and well known to Fire Authorities.

A potential composition could be a membership of 12 with a quorate of seven including a requirement that each constituent council is represented.

Table 3 General Audit Committee				
Swindon	Wiltshire	Bournemouth	Dorset	Poole
2	3	2	3	2

Appointments and Disputes Committee

This Committee will be responsible for the appointment of the Chief Fire Officer and the next tier of Principal Officer (Brigade Manager role). They will also be responsible for determining local terms and conditions, including remuneration. Wider responsibilities of the Committee will include the investigation of complaints against the Chief Fire Officer and to consider and decide on disputes where there is a recorded failure to agree between the Chief Fire Officer and recognised representative bodies. It is possible that over time the role of this Committee could be subsumed within the Policy and Resources Committee. However, in the initial years and due to workloads falling to the Policy and Resources Committee, it is considered appropriate to have a separate Appointments and Disputes Committee.

Appeals Committee

The primary purpose of the Appeals Committee is to consider appeals where employment is terminated other than for a disciplinary offence or on medical grounds. The terms of reference and functions of the Appeals Committee are directly influenced by relevant conditions of service and occupational pension schemes.

v. Senior management

The senior management structure would need to be agreed and appointed by Members. This should be undertaken as soon as possible so that subsequent structures and policy direction can be developed in readiness for the new Authority.

e) Statutory compliance register including operational assurance

As a new CFA, it is important that there is assurance over the full range of statutory responsibilities falling to it. A comprehensive legal and statutory compliance register has been developed and scrutinised by both senior management teams (see Background documents available on the website). This impact assessment has been made against the draft vision and proposed service design that underpins the financial savings forecasts. This detail has been presented to Members and been scrutinised by auditors.

This statutory compliance register covers the following key areas of legislation:

- ◆ Fire and Rescue Services Act 2004
- ◆ Fire and Rescue National Framework for England
- ◆ The Fire and Rescue Services (Emergencies) (England) Order 2007
- ◆ Civil Contingencies Act 2004
- ◆ The Health and Safety at Work Act 1974
- ◆ The Management of Health and Safety at Work Regulations 1999
- ◆ The Provision and Use of Work Equipment Regulations 1998
- ◆ The Lifting Operations and Lifting Equipment Regulations 1998
- ◆ The Control of Substances Hazardous to Health Regulations 2002
- ◆ The Manual Handling Operations Regulations 1992 as amended
- ◆ The Reporting of Injuries Diseases and Dangerous Occurrences Regulations 2013
- ◆ The Workplace (Health, Safety and Welfare) Regulations 1992
- ◆ The Regulatory Reform Fire Safety Order 2005

It indicates that there is little or no adverse impact on existing arrangements. Indeed in some areas these will be strengthened.

Transitional issues

a) Harmonisation of fire precept and budget setting

The current difference in fire precept between Dorset and Wiltshire is only £2.98, but this could rise to £4.32 by 2016/17, based on current projections. There are a number of options to harmonise fire precept which are discussed in the *Financial analysis section*.

b) Assets and liabilities

All assets (such as fire stations, fire engines) and liabilities (debts) would be transferred to the new combined fire authority. The 2013/14 final audited accounts of both Authorities show that Wiltshire has £18.051 million of assets and £4.436 million long term liabilities (not including pensions) and

Dorset has £22.489 million worth of assets and £9.156 million of debts (not including pensions and the private finance initiative). Dorset has comparatively higher levels of borrowing, based on previous capital financing decisions, and has set aside some money to use in the future to reduce its capital borrowing.

Table 4 Assets and liabilities register as at 31 March 2014			
	Wiltshire	Dorset	Combined
	£'000	£'000	£'000
Long term assets (eg property, plant and equipment)	18,580	16,356	34,936
Net current assets	(529)	6,133	5,604
Total net assets	18,051	22,489	40,540
Long term liabilities	4,436	9,156	13,592

There are currently no plans for disposal of assets; however work identified by Wiltshire has indicated that future opportunities may exist when the campus strategy for Wiltshire Council becomes more defined. These opportunities will be for the new CFA.

i. Fleet

Both of us have a similar type and size of vehicle fleet. We each have around 85 operational response vehicles that are crewed by firefighters and around 80 further vehicles. Both fleets are in good condition as they are both repaired and maintained to the same standards. Both Services have effective systems in place to manage their vehicles to support frontline services and organisational needs. Both have a network of fire hydrants in place to make sure firefighters have access to an adequate supply of water for firefighting when needed. We have systems in place to manage these hydrants with Dorset managing 13,500 and Wiltshire managing 15,000.

The average age of the fleet is set out below.

Table 5 Average age of fleet		
Type of vehicle	Dorset average age (years)	Wiltshire average age (years)
Fire appliances (fire engines) (including reserves)	8.6	5.7
Off-road light vehicles	6.7	8.0
Cars for officers	4.4	2.2
Special vehicles	7.7	8.2
Support vans and cars	11 (will be 8.5 later this year)	4.7

ii. Equipment

The equipment is all in good condition and it is repaired and maintained to very similar standards. We both have systems in place to manage equipment. Dorset has 20,000 items and Wiltshire has 17,000 items. There are many thousands more disposable items that are needed and issued. Some operationally critical equipment is the same (Breathing apparatus, cutting gear etc.), although as one would expect there are variations that would need to be harmonised including the colour of the personal protective equipment (eg fire kit). This could occur over time and be harmonised upon contract renewal.

iii. Property

Wiltshire has 24 fire stations, a service headquarters, an occupational health building and a workshop for maintaining its fleet and equipment. There is a training centre in Devizes and a real-fire behaviour training facility at Kemble, where firefighters practise putting out fires in a safe environment. As well as having general forecourt sharing arrangements with the Ambulance Trust, a number of fire stations are shared with the police including Bradford on Avon and Mere. A large number of stations are open for the public to use and there are plans for more community access and support for local partners.

Dorset has 26 fire stations, an area office, a service headquarters and a workshop for maintaining its fleet and equipment. In Weymouth there is also a safety centre, used mainly by the local community. Dorset has a long-standing arrangement with the Ministry of Defence at West Moors which allows the fire service to provide live fire training in exchange for providing wider fire cover at the site. It shares some of its premises with the police and ambulance services and many of its fire stations are open to the public to use on a supervised (and sometimes unsupervised) basis where community needs exist.

Currently we both have a fire control centre that receives emergency calls and sends staff and fire engines to incidents. In December 2013, we agreed that a joint command and control centre would be set up in Potterne, Wiltshire. The move to the joint centre is expected to be in 2015-2016 depending on a wider project called the Networked Fire Control Services Partnership (NFCSP) that involves us and the fire services in Hampshire and Devon and Somerset.

Most of the buildings are owned by the respective Fire Authorities. Dorset has a private finance initiative which means that it has a contract with a private company who provide its headquarters, area office and two of its fire stations. This is paid for by a long-term government grant and by us. In 2034, Dorset will then own the majority of the buildings which will become an asset. The financial arrangement is not a cause of concern for Dorset or its auditors. However, one downside is that it does mean that a future CFA would be somewhat restricted if we want to change the use of the buildings or make major adaptations. Discussions with government officials have shown that any empty space can be leased to generate income.

Both estates are fit for purpose in that they are operationally effective, safe and keep to the law. Both services have systems in place to manage their estates and, among a range of many other things, they record the work needed to be done at each site. Currently, Dorset has identified that £1.75 million needs to be spent on the estate over the next five years, while the figure for Wiltshire is £2 million.

iv. Insurance, legal action and employment claims

There are no significant insurance, legal or employment claim issues for either authority at this time.

c) Brand and corporate image

The move towards a potentially new CFA could be achieved without the loss of local identity. The new CFA may (or not) wish to have its own heraldry at a cost of approximately £14k but the existing Service insignias can remain on fire stations and appliances. Although both Services have similar PPE they are different in colour. Given the high costs of this fire kit (~£1m), it is recommended that any harmonisation occurs upon contract renewal. Currently, Wiltshire's contract for PPE runs for a further three years, Dorset's runs until 2025. It is therefore proposed that harmonisation costs are kept to a minimum. PPE should be harmonised to Dorset's style and colour given its longer contract tenure and that minimal sets of common work wear are issued only.

d) Information and Communications Technology

Although we are both fire and rescue services, we have developed in different ways and our information communication technology (ICT) reflects this. We have carried out an assessment of our infrastructure (eg network, servers and specialist software) engaging specialist external expertise and reviewed the software we use to manage our staff, finance and assets.

i. ICT infrastructure

In general terms most of our infrastructure is broadly the same, in fact, many important elements such as our network were bought together and over the past year we have tried to standardise our approach in such areas as printers and photocopiers. We also have a number of projects that are enabling us to come together. These include the sub-regional Network Fire Control Services Partnership which aims to develop a network of fire controls that operate in the same way and so can support one another when we have technical or operational issues. Other projects such as the regional information security project have also helped to harmonise some of this infrastructure. There are, however, considerable harmonisation issues. There are key differences in terms of the versions of common hardware and software that we use to run the network and communication infrastructure; the way that we have configured them; the suppliers that we engage and the level of in-house versus external contractual support.

The independent assessment of our ICT harmonisation indicates that a £1m capital investment would be required to fully harmonise our infrastructure. This financial requirement was included as a key component within the successful DCLG Transformation Fund bid.

ii. Software

The main difference between us is the software we use. While Wiltshire uses Microsoft products and relies more on commercial systems, Dorset has developed a number of in-house systems using IBM. There are some commercial systems that we both have but we are using them in subtly different ways or only using some of the available modules.

In itself this is not a problem, as we can use both during any transition period. However, should we join together and reduce our teams; they would need to be using single systems to be efficient. Our analysis indicates potential software harmonisation costs of £452k. We would need a detailed programme of prioritised work if the decision to combine is agreed.

iii. A managed move

Like all large-scale programmes for change, ICT is often an area that causes a great deal of delay and increased costs. For this reason we believe that it would be better to concentrate on getting the broad infrastructure fit for purpose. Our systems can then be moved over in a controlled, prioritised and closely managed way. This would mean that we need to put extra resources into the programme. During the transition phase we will need to have technical programme oversight of this move. Again, this financial requirement was included as a key component within the successful DCLG Transformation Fund bid.

e) Financial management

By law, each combined fire authority must appoint a treasurer. In Wiltshire the Finance Review and Audit Committee oversee the strategic and operational financial management and internal controls. The Brigade Manager, Finance and Governance oversees all aspects of financial management, although payroll and pensions are provided by another organisation. Dorset has an independent treasurer provided through Dorset County Council who works closely with the Head of Financial Services. The council also provide a number of other financial support services including payroll, pensions, accountancy support and treasury management. Our audited accounts for 2013/14 show that both authorities have proper arrangements in place for being financially efficient and effective.

Table 6 Financial management environment using ISA 260 2013/14		
ISA 260 2013/14	Wiltshire	Dorset
Audit opinion	Unqualified	Unqualified
Audit adjustments	Two material adjustments and one significant adjustment. <i>“The 3 adjustments highlighted do not undermine our view of the overall accounts production process and are seen as one of errors, rather than errors which highlight further issues”</i>	A small number of presentational audit differences. No significant audit adjustments proposed
Key financial statements audit risks	Three specific risks identified by auditors. The Authority addressed the issues appropriately	No significant risks identified
Accounts production and audit process	Good processes in place with good supporting working papers	Good processes in place with good supporting working papers
VFM conclusion and risk area	Proper arrangements to secure economy, efficiency and effectiveness. <i>Regardless of whether the proposed combination proceeds, it is clear that the Authority will need to take significant steps to address the financial challenges it faces. This will involve difficult decisions and will take time to implement, so it is important to allow sufficient time for the necessary planning and delivery of these actions. The Authority has some reserves and balances which can be drawn on in the short term, but this does not offer a longer term solution and the Authority must be careful not to deplete its balances excessively.</i>	Proper arrangements to secure economy, efficiency and effectiveness. Unqualified VFM conclusion

We each use different financial systems. The main issues associated with financial management are:

iv. Moving to a single finance system

In Dorset, the current computerised finance system is provided by Dorset County Council but they will not be able to support it after 2016. Dorset has held back from replacing this system whilst a decision is taken on this business case. Should the decision be to combine, the favoured approach would be for Dorset to adopt Wiltshire’s finance system. A capital sum of £75k has been allowed for within Dorset’s existing capital programme and it anticipated that there will be a net collective annual saving of £38k from 2016/17. The existing financial support services provided by Dorset County Council would need to be transferred to the single management team. By merging financial departments and having one approach, we believe that there are considerable ongoing savings to be made but clearly this will reduce the level of external income currently enjoyed by Dorset County Council.

v. Single financial policies

The new Combined Fire Authority must have clear financial policies and associated governance arrangements. The shadow authority would need to decide a single set of financial and contractual standing orders and constitutional arrangements for the new CFA.

vi. Insurance

Our current insurance arrangements are different, with different levels of cover and different insurance excesses in place. As part of the combination, we would need to bring these different arrangements together including the need to develop a common risk profile and risk management policy and procedure. We estimate that there will be a net annual collective saving of £50k-£100k.

vii. Auditors

Each treasurer must put internal controls in place to help make sure that their organisation is well managed. We have different internal auditors, but currently enjoy the same oversight from KPMG, who are our appointed external auditors. The Government is currently appointing new auditors and we are hopeful that it will re-appoint our current auditors. There would be a need to bring together our own internal and external audit arrangements. Internal audit arrangements could be achieved in 2015.

viii. Pensions and payroll

We both currently have other organisations providing pensions and payroll services for us. As part of the combination, we would need to move to a single provider to make sure that we have the most cost-effective contracts. Dorset's contract is currently subject to annual reviews and Wiltshire's contract runs to 30 September 2018.

ix. Procurement

As a combined authority, we would be able to increase our buying power and offer much larger contract opportunities to our suppliers. Over the past few months, we have developed a single contracts register and a forward procurement plan. This may allow us to take advantage of opportunities to buy things together and allow us in some cases where national framework agreements are not available to gain from better prices and better customer service.

f) Workforce support and cultural development

Dorset employs 765 staff and Wiltshire currently employ 626 staff. Our staff are our most important resource and they will be central to the successful transformation to the new organisation.

i. Creating the new organisation

Creating the new organisation would involve developing a detailed structure to achieve the new organisation's vision. The work to identify possible savings for this business case would need to be refined during the detailed planning stage. Over the medium term, this would involve developing new job descriptions and person specifications where each job has been evaluated for

pay purposes. Although we use the same pay evaluation scheme, we apply it very differently. An approach would need to be reconciled.

ii. Transferring staff to the new Combined Fire Authority.

All staff would transfer to the new employer and be covered by the Transfer of Undertakings (Protection of Employment) Regulations, commonly referred to as TUPE. Under these Regulations, an individual's current terms and conditions which form their contract of employment transfer to their new employer. These terms cannot be changed if this would have a negative effect on the individual and we would work with and consult the trade unions before the transfer. Where possible, staff would likely be matched to a role in the new organisation which is broadly similar to their existing role. If a number of people carry out similar roles, we would need to carry out an internal selection process. It is highly likely that the new organisational structure would need fewer posts than the total numbers currently employed by both Services. Managing effectively all staff affected by this is important and needs care and attention. We would need policies, processes and support mechanisms to manage this in a timely, considerate and sensitive way. We would also need to support our managers to manage this change.

iii. Culture

To build a new safe, strong and sustainable organisation, we would need to develop and embed an effective and unified culture. This would need to be articulated and linked to agreed values, behaviours and expectations set by the new CFA through its corporate plan. There would be a need to manage the harmonisation of Service values and behaviours across the two former Services. Central to the whole process would be the issue of supporting the workforce and keeping them motivated during the change. This would include harmonising response standards, corporate targets and standards, including quality accreditation, as well as bringing together key operational practices. Inevitably, this will require changes to policies and management practices as well as support to managers through leadership and management programmes. We have allowed a contingency of £80k to support providing such programmes. To get the support of staff and trade unions, they would also be closely involved with this work. We may want to put in place a staff forum to provide a sounding board for ideas and concerns connected with the change programme. This would also provide an opportunity for Members to get involved to help lead and support staff through what some will find a difficult period of change.

iv. Systems and processes

Both services use different systems for HR and recording training. The new organisation would need to move towards a joint systems approach. Similarly, both services use different providers for payroll, pensions and occupational health services. While these contracts would transfer to the new employer, we would review these providers when the contract is renewed. We would also need to think carefully about the new organisation's performance management framework which will set out how we plan to manage our workforce. As well as the organisation clearly setting out our expectations of staff, we would also need to advise staff about the conditions in place for them to raise any issues they may have to do with their employment.

v. Policies and procedures

While current terms and conditions transfer to the new organisation, we would need new policies and procedures to allow us to make the move to the new organisation. These important policies would need to be developed and agreed with staff and trade unions. To make our ways of working as efficient and effective as possible, we may use an approach known as systems thinking which has been used by Wiltshire to reduce time and money to improve customer service.

g) Reconciliation of key policies and procedures

There would be a great deal of work to harmonise key policies and procedures. In some cases the policy differences between us will be considerable, in other cases it would be largely a reformatting and re-issuing exercise using a commonly agreed format. In many critical operational areas, there has already been some standardisation of approach through our involvement in work led through the South East CFOA Region. A pragmatic approach would be needed as this would be a considerable exercise to achieve full harmonisation. In the first instances, all policies and procedures would be risk assessed and prioritised to support the immediate responsibilities for the new CFA. Thereafter, it is recommended that we follow the Scottish FRS harmonisation process, whereby policies and procedures were put into a three year harmonisation process. This will require a detailed programme of work and risk assessment, should the combination prove to be the favoured strategic avenue.

h) Managing the change

Even though it is a combination of equals, like all significant organisational change, the process of making this change will not be straightforward. It will need detailed planning and careful management. There could be three phases to any agreed combination.

i. Phase 1. Detailed planning (2014)

If the combination is agreed, a lot of detailed work will be needed. A programme team will need to be created to oversee the change. This change will involve a large number of projects which all depend on each other. Because of this, we will need to put in place effective arrangements for managing the programme and project. This team will need to work together and communicate the change. Before agreeing to significant costs, we will need to develop specific business cases and documents to properly govern the projects and the programme.

Although the new Combined Fire Authority will come into force on 1 April 2016, it will not be possible to have everything in place by then. The aim will be to have everything we need to run the new service from this date. The pace of change will also need to balance the need to make savings against the need to maintain services and deliver major projects.

Some of the things we need to do in the early stages will be creating the top team and arrangements for overseeing the change. We envisage initiating a voluntary redundancy programme as a means of reducing the number of compulsory redundancies. During this phase, there will also need to be some high-level policy decisions made in important policy areas such as HR and service delivery. There will be some legal, contractual and financial restrictions that we will need to also carefully consider. We must also develop a prioritised programme to bring

together our changing ICT systems to make sure that the new service runs smoothly. This plan will also need to line up with wider projects such as the Networked Fire Control Services Partnership project.

ii. Phase 2. Making the move (2015/2016)

Once the arrangements are in place for overseeing the change and there is a clear and fully costed action plan in place, we can transfer staff and introduce new ways of working. This will involve working closely with staff and managers and their representative bodies. A range of options will be discussed with staff and their representative bodies with regards to reducing staffing levels. The priority will be to keep enough skilled staff to meet the requirements of the new fire authority. During this period, we will develop a new corporate plan, integrated risk-management plan, medium-term finance plan and a number of important strategies. These will all set out how the new authority will prioritise the work of the new service and deliver the necessary change from 1 April 2016 onwards.

iii. Phase 3. Harmonisation (2016 onwards)

Following the legal transfer of staff, there will be a period of perhaps two to three years where new systems, policies and ways of working will be introduced. Staff terms and conditions will need to be consistent while respecting legal rights and restrictions and so on. We will also need to deal with any cultural differences between us through such actions as creating a common leadership and management programme. To help make sure that the performance of the new service is as consistent as possible, we may want to follow quality standards and assessment frameworks. These may be in such areas as operational assessment, health and safety, asset management and equality and diversity.

iv. Outline convergence programme

Table 7 Outline convergence programme				
	2014/15	2015/16	2016/17	2017/18
PHASE 1: DETAILED PLANNING				
Combination order				
Programme and governance arrangements				
Detailed planning				
PHASE 2: MAKING THE MOVE				
Development of steady state governance arrangements				
Senior management appointments				
Corporate plan (IRMP) and budget preparation				
Critical policy and contractual harmonisation				
Rebranding				
Voluntary redundancy programme				
Strategic hub				
New CFA into force			1/4/16	

PHASE 3: HARMONISATION				
ICT infrastructure harmonisation				
Departmental restructuring				
ICT software harmonisation				
Policy and contractual harmonisation				
Wholetime duty system				

NOTE these risk assessment will be put on the website, but they are for information purposes only

Appendix 2 Impact and Risk Rating Criteria

Impact	Risk Rating
High adverse impact (Red) : Significant cuts to service delivery required which will reduce response standards Significant reduction in prevention and protection activities and partnership working Complex ongoing governance and legal issues causing considerable long term disruption Significant long term reputational damage that causes adverse media and political impact Significant transitions issues to manage that threatens base budget and financial reserves Significant equality issues resulting in adverse impact against protected characteristics Significant adverse environmental impact	H
Medium adverse impact (Amber) : Some change to service delivery required which could reduce response standards Some reduction in prevention and protection activities and partnership working Ongoing governance and legal issues causing some disruption over the medium term Some potential reputational damage that causes some adverse media and political impact Transition issues difficult to manage causing increase in costs or delayed savings Moderate equality issues resulting in adverse impact against protected characteristics Moderate adverse environmental impact	M
Low (Green) adverse impact : Some change to service delivery may be required but not impacting response standards No reduction in prevention and protection activities and partnership working No change to existing governance and legal arrangements No reputational issues Transition issues are easily managed Little or no adverse equality impact against protected characteristics Little or no adverse environmental impact	L
Positive (Yellow) adverse impact : Positive changes to service delivery Increase in prevention and protection activities and partnership working Improved governance and legal arrangements No reputational issues Transition issues are easily managed Positive equality impact against protected characteristics Reduction in environmental impact	Positive