



Wiltshire Fire & Rescue Service

Wiltshire and Swindon Fire Authority

Medium Term Financial Strategy 2011/12 to 2014/15



1. **Introduction**

The Medium Term Financial Strategy (MTFS) 2011/12 – 2014/15 aims to provide an assessment of how the Fire Authority will manage its finances over the next four year period, in order to deliver its services to the people of Wiltshire and Swindon.

This document updates the previous medium term financial plan (2009/10 – 2011/12), in light of current and emerging issues and considerations affecting the Fire Authority for 2011/12 and onwards.

The fundamental objectives of the MTFS are:-

- to ensure the Authority has sufficient resources to deliver against its priorities;
- to enable spending plans (revenue and capital) to be aligned to the core priorities within the Strategic Plan;
- deliver value for money, efficiency and improvement;
- provide a longer term financial plan to provide stability for future budget proposals;
- maintain an adequate level of reserves and balances in line with our risk strategy; and
- improve financial management.

2. **Executive Summary**

With the election of the new coalition Government in 2010/11, the new administration announced a significant reduction in public spending over the next four years, 2011/12 to 2014/15, equating to a real terms 25% reduction in funding to the fire service as a whole, as part of the spending Review 2010 (or an approximate 18.5% cash reduction in grant, circa £1.8m over the four year period).

Against the backdrop of reducing financial resources, increased costs, the clear remit of providing good quality services economically, efficiently and effectively, the Authority continues to face significant financial issues and pressures which are emerging over the horizon.

This plan identifies these known key financial issues and pressures, namely, an estimated budgetary shortfall in 2012/13 of £0.059m, £0.644m in 2013/14 and £0.709m in 2014/15, allowing for the authority to set a council tax levy increase of 2.5% each year, and significantly reducing government funding, making it imperative that service reviews are successful in delivering efficiencies, leading to savings.

There are also several key issues which at present can not be quantified within the plan. This is a reflection of the ever-changing demands on the service:-

- The Regional Control Centre (RCC) Project has ceased, the impact of which means a significant amount of work is now required to address the resilience aspect of the project which still needs delivering on;

- Changes to the funding formula and the impact of the Spending Review 2010 announcement in years 3 and 4;
- Fire Futures Review and the imminent Localism Bill

This plan, having regard to the unknowns, brings together the financial impact of required service improvement priorities, sets the stage for the management actions and decisions required, and details the framework around which future budgets will be developed, and as such will enable the Authority to deliver its objectives, as stated in its Strategic Plan.

In 2009/10 the Fire Authority introduced its Strategic Plan 2010-2013, which incorporates the Integrated Risk Management Plan (IRMP) and the Corporate Plan. This plan sets out the planned inputs, outputs and outcomes in relation to each of the key areas of service that Wiltshire Fire & Rescue Service provides.

The Spending Review 2010, announced on the 20th October 2010, established the financial constraints and challenges facing the Fire Authority over the coming two years, with further emphasis over the following two years for greater cuts/reductions in funding, still to come. In determining the financial settlement for 2011/12 and provisionally for 2012/13, the Government announced it has weighted the reductions in funding to the Fire Service to years 3 and 4.

A major rethink has had to be undertaken as to how we can maintain service delivery at a reduced cost, without affecting the quality of what we provide. In February 2011 the Combined Fire Authority will approve the 2011/12 Revenue Budget and Capital Programme. Details of the revenue budget and capital programme proposals, which amounts to £25.272m (or £24.880 depending on Council Tax Freeze Grant), and £2.817m, can be found in the summary in Appendices A and B, respectively.

3. **Priorities and Service Pressures**

The Strategic Plan 2010-2013 sets out the Fire Authority's strategic aims, and four headline core values encapsulated in its eight key priorities over the next three years:-

- Priority 1 - Safer Communities
- Priority 2 - Developing our people
- Priority 3 - Improving our commitment to equality and diversity
- Priority 4 - Reducing our impact on the environment
- Priority 5 - Making the best use of our financial resources
- Priority 6 - Making the best use of our premises, vehicles and equipment
- Priority 7 - Securely managing our information and data
- Priority 8 - Strengthening our governance and performance

This Medium Term Financial Strategy therefore includes the service priorities in delivering the services over the remaining life of the Strategic Plan plus a further 2 years.

4. Inflationary Increases - Spending Plans

The 2011/12 budget has assumed a level of inflation for planning purposes.

2011/12 Only

Salary based budgets - Uniformed Staff	1.0%
Salary based budgets - Corporate Staff	£250 on each scale point
Non-salary budgets e.g. Supplies and Services	0%

By assuming a non-salary budget increase of 0%, it is the expectation of management that inflation on non-salary budget heads has been absorbed, within current resource allocations, i.e. cash limit has been imposed equating to a 'nil cash increase'.

With regards to salary based budgets, the Local Government Employers (part of the Local Government Association) have met with all regions to gauge the employers views on pay offers to their employees for 2011/12. There was a strong view emerging from the regional consultations that the employers association favoured an approach to make no offer to the employees (through their representative bodies), which was aligned to the Governments expectation of public sector pay freeze. As a consequence a prudent allowance has been made for salary pay award of 1% for uniformed staff, and £250 on each scale point for corporate staff.

2012/13 onwards

In establishing predicted 2012/13, 2013/14 and 2014/15 budget requirements, the following broad assumptions for inflationary increases have been applied:

Salary based budgets	3.0%
Non-salary budgets e.g. Supplies and Services	0%

Again by assuming a non-salary budget increase of 0%, it is the expectation of management that inflation on non-salary budget heads will need to be absorbed, and the cash limit 'nil increase' again has been instructed.

Managers in formulating their budget for 2011/12, also provided indicative budgets for 2012/13 and 2013/14.

With regards to salary based budgets, and in view of no pay award in 2010/11 and a possible small pay award in 2011/12, it is expected that for future years pay offers will inevitably rise. A 3% increase is therefore envisaged for planning purposes.

It is also anticipated that given the estimated inflationary increases, the Authority will endeavour to keep budget provision for inflation, especially for non-staffing costs, to a minimum as part of the efficiency agenda.

The rationale for keeping increases to a minimum for the 2011/12 budget and thereafter, especially for non-salary items is to:-

- keep Council Tax increases to a minimum, given the additional pressures facing the Authority;
- be more efficient, effective and economic (value for money); and,
- focus the attention on identifying required savings.

5. **Funding Changes - Income (how net expenditure on service delivery is funded)**

The Fire Authority's income (or funding) traditionally comes from the following three main sources:-

- **Government Funding** in the form of the Revenue Support Grant(RSG) and the redistribution of the National Non-Domestic Rate (NNDR Grant).
- **Precept or Council Tax** levied on properties in Wiltshire and Swindon (taxbase x average band D council tax); and
- Other Income from the surplus on the Billing Authorities' Collection Fund Accounts, investment income and charging for discretionary services.

As part of the Spending Review 2010 the Government announced a further source of government funding and have allocated a sum to be given to all participating precepting authorities (Council Tax Freeze Grant), who choose not to increase their council tax in 2011/12 only, in lieu of setting a council tax equivalent to a 2.5% increase.

Government Funding

In setting its budget the Fire Authority had to consider the overall funding constraints set out by the Government. In the Spending Review 2010, the Government set out its intention to reduce funding to the Fire Service by 25%(real terms including inflation). The financial settlement announced on 31 January 2011, provided a two-year settlement with grant allocations being announced for 2011/12 and 2012/13.

Government support for 2011/12 amounts to £9,110,455. For Wiltshire FRS this represented a decrease of 4.97% or £476,305 on the previous year's allocation.

Government support for 2012/13 established in the two year settlement (SR10) is anticipated at £9,231,062. For Wiltshire FRS this represented an increase of 1.32% or £120,607 on the 2011/12 total of £9,110,455.

The table below shows how government funding is due to change over the two years notified.

Year	% Change	Amount (£)	Government Funding (£)
2010/11			9,586,760
2011/12	-4.97%	-476,305	9,110,455
2012/13	1.32%	+120,607	9,231,062

In simple terms, Government grant funding has reduced by 3.7% in the first 2 years, equating to a real cash loss in grant of £355,698.

The following two years are estimated based on the Governments views of a total 25% real terms reduction in funding to the Fire Service over the four year period, being 'backloaded' to years 3 and 4, i.e. 2013/14 and 2014/15. This roughly equates to a 18.5% cash reduction. An assumption is made therefore that Grant Funding will reduce in cash terms by 7.68% and 8.32% per year for 2013/14 and 2014/15 respectively.

Year	% Change	Amount (£)	Cumulative Change %	Cumulative Amount (£)	Government Funding (£)
2010/11					9,586,760
2011/12	-4.97%	-476,305	-4.97%	-476,305	9,110,455
2012/13	+1.32%	+120,607	-3.71%	-355,698	9,231,062
2013/14	-7.68%	-708,926	-11.11%	-1,064,624	8,522,136
2014/15	-8.32%	-708,927	-18.50%	-1,773,551	7,813,209

Precept (Council Tax)

For 2010/11 the Fire Authority set a band D council tax at £62.38.

All properties in Wiltshire and Swindon are placed in one of eight council tax bands based on the value of the property on 1st April 1991. The 'taxbase' represents the number of chargeable properties for council tax purposes and is expressed in the form of so many band D equivalents.

Wiltshire and Swindon has seen a considerable increase in its population over more than 30 years. This has been reflected in a year-on-year increase in the number of band D equivalents (taxbase).

For 2010/11 the taxbase was 248,751 band D equivalents. Swindon Borough Council and the Wiltshire Council monitor the effects of and changes to the taxbase throughout the year and have notified the increases for 2011/12.

Experience has shown that the Fire Authority would have reasonably expected its taxbase to achieve a year-on-year increase of at least 1% prior to the financial

economic downturn experienced in 2007/08, after which the annual increase in the taxbase has been around 0.65% until now. There are signs of growth in the economy demonstrated by an increase for 2011/12 of 0.96%. After discussions with our partners, i.e. the Police, Wiltshire Council and Swindon Borough Council, an increase has been assumed for the next three years of 0.96% in taxbase. This means that if income is not forthcoming, reductions in budget will be required either by reducing costs and making efficiencies or reducing budgets and cutting services.

Council Tax Freeze Grant

The Government has made available to Local Authorities a Council Tax Freeze Grant in respect of 2011/12, which is available to all precepting authorities wishing to freeze their council tax in 2011/12 and receive grant in lieu of an increase, equating to 2.5% in council tax. The grant is anticipated to be paid in each year over the spending review period, and this is assumed to be 4 years. There is a risk that after the Spending Review period the grant will be withdrawn and there would be a budget shortfall equivalent to the 2.5% increase in council tax, as the Government have made no guarantees on giving grant beyond the Spending Review period. Members will be making that decision at the Fire Authority meeting in February whether to increase the council tax or not, and if not, to accept the Council Tax Freeze Grant. It is therefore assumed that either the council tax is not increased in 2011/12 and the grant is taken, or the council tax is increased by 2.5% (equivalent to the Council Tax Freeze Grant). The effect will be the same except from years 5 onwards when there is no guarantee the Council Tax Freeze Grant (in relation to 2011/12) is payable by the Government. Council Tax Freeze Grant is estimated to be around £0.390m.

If the council tax is increased, the Government has the power to restrict the level of any council tax increase, (called capping), where the increase is deemed 'excessive'. The 'capping criteria' is anticipated to be announced by the Government to enable authorities to plan accordingly, however details of this are not known as yet. In addition to this, plans have been consulted on for future council tax increases and if the recent proposed 'Localism' Bill is approved and receives royal ascent, there will be a requirement to hold a referendum for excessive council tax increases and detail an alternative budget, as a result.

Such measures clearly restrict the Fire Authority's ability to raise taxes to pay for the Fire and Rescue Service.

6. Spending Plans (Capital & Revenue)

Capital

In terms of capital expenditure there are three areas of expenditure which are of a capital nature, i.e. they provide benefit for more than one year, namely buildings, vehicles, IT and other equipment.

The Medium Term Financial Strategy provides a three year plan of the Authority's proposed capital spending for the period 2011/12 to 2013/14.

The Capital Strategy and ongoing capital programmes are designed to ensure that the authority's capital investment:-

- assists in delivering its corporate objectives, in line with its core priorities;

- supports those priorities identified in the property review and ICT strategy;
- ensures statutory requirements are met e.g. Health and Safety issues; and,
- supports the MTFs by ensuring that all capital investments take into account the full impact on revenue budget for the current and future years.

The Capital Strategy balances affordability of the capital programme with the investment needed to deliver the programme in line with the Authority's priorities and objectives, hence the need to align available resources and spending requirements over more than one year.

Appendix A shows the three year capital expenditure plan. Following the cessation of the Regional Control Project in December 2010 it is anticipated that there may be further capital expenditure requirements, and also opportunities to generate capital receipts to fund the programme, with the intention of reducing the burden on unsupported borrowing. At this time the financial effect of additional capital requirements, and the possibility of capital receipts, can not be accurately assessed.

Given the current capital spending plans as per Appendix A, the impact on the revenue account, for repayment of debt and financing that debt, would mean an additional £0.075m (approximately) per £1m of capital programme on average in 2011/12 and each year thereafter to support the programme without other forms of capital financing being generated i.e. through capital receipts or capital grants. This would be offset by savings in the revenue budgets, specifically the leasing budget in particular, as expired leasing contracts for vehicles drop off the programme, and replacement vehicles are purchased, as well as savings arising from mileage claims due to changes in respect of the provided fleet.

Revenue

Given the inflationary assumptions on spending and funding in sections 5 and 6 above, the following summary position shows the impact on spending plans for 2011/12 and the following three years to 2014/15.

	Proposed Budget 2011/12	Estimated Budget 2012/13	Estimated Budget 2013/14	Estimated Budget 2014/15
Net Revenue Expenditure (£m)	£25.272m	£25.894m	£26.394m	£26.918m
Less Council tax Freeze Grant (£m)	-£0.392m	-£0.392m	-£0.392m	-£0.392m
Expenditure to be financed (£m)	£24.880m	£25.502m	£26.002m	£26.526m
Funding:				
RSG/NNDR Grant (£m)	-£9.110m	-£9.231m	-£8.522m	-£7.813m
Coll Fund Sur(-)/Def(+)(£m)	-£0.104m	£0.000m	£0.000m	£0.000m
Precept Requirement (£m)	£15.666m	£16.271m	£17.480m	£18.713m
Taxbase	251,139	253,549	255,983	258,439
Band D	£62.38	£64.17	£68.29	£72.41
Increase in Council Tax	0.0%	2.87%	6.42%	6.03%

Current indications, given the spending plans in 2012/13 - 2014/15, are, that in order to balance the budgets in those years a council tax rise of 2.87%, 6.42% and 6.03% would be required.

For example, clearly in order to keep the increase in council tax to a level likely to be acceptable to the public, and within Governments' capping limits, say for example 2.5%, and assuming increases in the taxbase at 0.96%, it is estimated that:-

- savings are required in 2012/13 of around £0.059m, recurring
- and further savings are required in 2013/14 and 2014/15 of around £0.644m (£0.703m - £0.059m) and £0.708m (£1.352m-£0.644m).

	2011/12	2012/13	2013/14	2014/15
Taxbase	251,139	253,549	255,982	258,439
Band D (@2.5% increase)	£62.38	£63.94	£65.54	£67.18
Precept Income (B)(£m)	£15.666m	£16.212m	£16.777m	£17.361m
RSG/NNDR Grant (£m)	£9.110m	£9.231m	£8.522m	£7.813m
Collection Fund Surplus (£m)	£0.104m	£0.000m	£0.000m	£0.000m
Funding Requirement(£m)	£24.880m	£25.443m	£25.299m	£25.174m
Expenditure to be financed (£m)	£24.880m	£25.502m	£26.002m	£26.526m
Estimated Savings Required(£m)	£0.000m	£0.059m	£0.703m	£1.352m

	Proposed Budget 2011/12	Estimated Budget 2012/13	Estimated Budget 2013/14	Estimated Budget 2014/15
Expenditure to be financed (£m)	£24.880m	£25.502m	£26.002m	£26.526m
Estimated Savings Required (£m)	£0.000m	-£0.059m	-£0.703m	-£1.352m
Revised Net Revenue Expenditure	£24.880m	£25.443m	£25.299m	£25.174m
Funding:				
RSG/NNDR Grant (£m)	-£9.110m	-£9.231m	-£8.522m	-£7.813m
Coll Fund Sur(-)/Def(+)(£m)	-£0.104m	£0.000m	£0.000m	£0.000m
Precept Requirement £m)	£15.666m	£16.212m	£16.777m	£17.361m
Taxbase	251,139	253,549	255,982	258,439
Band D	£62.38	£63.94	£65.54	£67.18
Increase in Council Tax	0.0%	2.50%	2.50%	2.50%

NB: In general a one percent increase/reduction in the Council Tax increase will either generate additional/reduced precept income by approximately £0.155m-£0.170m.

7. Balancing the Budget

The above outlines examples of the Authority's revenue position over the four year period 2011/12 to 2014/15 and capital over the three year period 2011/12 to 2013/14. The plan clearly shows that the Authority has to address a potential shortfall in its finances in 2013/14 onwards.

The officers have considered the MTFs and have adopted the following Action Plan and Efficiency and Improvement Strategy.

Action Plan

The Management Board will lead the process of planning and implementing transformational changes, through the 'need for change' programme which will be monitored and reported on a regular basis identifying areas where significant changes and potential savings and cost reductions can be made in advance of the preparation of future budgets..

The Management Board will also provide the Combined Fire Authority, and/or the Programme & Scrutiny Board with periodic progress reports, and details of the actions required to be taken to ensure transformation changes are planned in and/or made, within the strict timescales and financial limits. Resources have been identified from the 2010/11 projected underspending to establish a 'Transformational Improvement Reserve', to assist in developing and implementing proposals arising from the 'need for change' programme.

The Delivery Management Team has responsibility for the management of the day to day matters, and are charged with the task of reviewing departmental budgets and bringing forward to the Management Board details of potential savings and operational efficiencies.

The Finance Department will continue working with the two management teams and the budget holders providing them with regular budget monitoring reports and guidance and advice in the management of the Authority's budgets.

As part of the 'need for change' programme there is a commitment to finding savings as a part of the annual efficiency review process (see below). Management Board will embrace this process and use it as a catalyst for balancing the budget. This will be achieved by continuing to clearly identifying areas where savings and cost reductions are possible, reviewing current arrangements and putting in place mechanisms designed to ensure that efficiencies and savings are delivered for the benefit of the community.

As in any year, it is increasingly difficult to predict the impact of external influences over the Fire and Rescue Service as a whole. This MTFs brings together the quantifiable costs and impact but also recognises the potential impact of future developments and national and local initiatives, which currently are financially unquantifiable.

The more significant unknown quantities, which are likely to have a significant financial impact for the services are:-

- Resilience, following the cessation of the Regional Control Project – Local resilience arrangements are now required, and need to be developed. The extent to what is required and how they will be provided is yet to be determined, but future budgets will be affected as a result.
- Localism Bill
- Working Time Directive – this, potentially will have an impact on the Service in respect of the retained duty system operated and the flexible duty system for officers.

- Pension - Directly as a result of the falling financial markets, the values of pension fund holdings in stocks and shares and assets have significantly decreased, with no short-term recovery expected. The results of this have affected most pension funds to the extent that future pension liabilities will no longer be covered by accumulated funds unless further significant contributions are made in the future years. Longevity of staff and pensioners are also factors, as people, in general, are living longer, thereby payments out of the fund are increasing each year. A national review of the pension system is currently being undertaken by Lord Hutton, the results of which are due within the next twelve months, and it is anticipated that pension arrangements for both employees and employers will be radically changed.
- The vision for the Swindon area of the Authority to 2026, formally reviewed under the Regional Spatial Strategy by Swindon Borough Council, if comes to fruition, will require significant investment in new stations, vehicles and additional staffing in order to meet the additional risks arising as and when Swindon expands. The changing risk profile over the period, clearly driven by the development plans, will be incorporated within the Integrated Risk Management Plan, and have significant consequences for costs and funding, over the medium to long term plans of the authority. Similarly, with the boundaries of the Wiltshire Council, although differing in risk profile to the Swindon Area, the same applies.
- The Integrated Risk Management Planning process is already alive to the proposed military super garrison and the effect over the next few years. Wiltshire Council has a joint Military Civilian Integration Committee which considers all these aspects and which will help to inform the IRMP process. Until the next IRMP process is completed the financial impact of the proposed military super garrison can not be assessed.

8. **Efficiency and Improvement Strategy**

The 'need for change' programme encapsulates the Authority's Efficiency and Improvement Strategy and sets out the corporate efficiency and improvement aims and objectives of the Wiltshire and Swindon Fire Authority. A programme of service reviews and projects implementations will be established to ensure progress is made to achieve efficiency and improvements in service provision, and reducing costs. Wiltshire Fire & Rescue Service is committed to managing its resources efficiently and effectively.

The Strategy is designed to put in place mechanisms to identify, research, and produce efficiency savings and cost reductions going forward, whilst maintaining or improving service on a reduced cost base.

The Local Picture - Wiltshire and Swindon Fire Authority has long practised the development and implementation of prudent revenue and capital spending strategies that minimised the financial impact on the local taxpayer, but at the same time working towards achieving the CLG modernisation targets, and a high level of service delivery in implementing the Authority's Prevention, Protection and Response plans.

The Authority is committed to the continuous examination and review of its working practices striving towards providing value for money together with, at all times, meeting its stated objectives as detailed in its Business Plan. Efficiency gains have consistently been identified in a bid to realise the aims of the CLG's Modernisation Agenda.

Corporate Efficiency and Improvement Aims - The Fire Authority's strategic aim, in line with DCLG guidance, for securing efficiency gains is to achieve greater outputs or improved service quality from the same (or less) resources. In support of this, the targets for the Fire Authority are to:

- Strive towards delivering efficiency gains for the Fire Service in line with best practice;
- Adapt corporate and departmental business and financial plans to include the drive towards efficiency identification and achievement, at all times ensuring satisfactory levels of performance and service delivery to the people of Wiltshire, and where permissible service development;
- Embed the robust procurement strategy;
- Ensure effective use of resources is integrated into the organisation.

Corporate Efficiency and Improvement Objectives - The principal objectives of this Strategy are to:

- Ensure project management methodology gives transparency to the successful management, delivery and implementation of agreed business efficiency initiatives;
- Continue to explore opportunities for collaboration with partners for all new services, for contracts as they fall due for renewal and for service delivery opportunities;
- Seek efficiencies through organisational and transformational changes, where appropriate, applicable and necessary, with due regard to sustainability and the environment;
- Carry out service and structure/staffing reviews with a view to increasing economy and efficiency without undue impairment of effectiveness;
- Identify key processes where economies of scale can be achieved through joint procurement or service delivery both internally and with external partners;
- Secure value for money through economic procurement of goods and services and to work to ensure effective management of assets, efficient use of resources whilst maintaining operational assurance;
- Provide effective, efficient and effective use of resources that delivers high operational standards and value for money

Specific Responsibilities - To achieve the objectives of the Authority all Members and staff will have individual and group responsibilities for ensuring that efficiency initiatives are in line with legislation and existing strategies.

The Management Board working closely with the Delivery Management Team will have responsibility for embedding the Strategy.

Members will play an active role in the search for efficiency gains through their involvement in the various workstreams, the role of the Finance Review & Audit Committee and the Programme & Scrutiny Board which undertakes a “scrutiny” function in accordance with its Terms of Reference.

Elected Members

- The role of Members is to review, support and monitor the implementation of the Efficiency and Improvement Strategy;
- Actively encouraging and supporting the Efficiency and Improvement Strategy, through a member ‘champion’;
- Ensuring the efficiency and improvement agenda is embedded as an integral part of the Authority’s management framework.

Management Board

- Monitoring the Efficiency and Improvement Strategy and any action plans arising;
- Actively promoting and supporting an efficiency and improvement driven culture within the Fire Authority;
- Supporting the development of innovative methods to identify and achieve efficiency and improvement gains;
- Promoting collaborative working through existing and new partnership arrangements;

Delivery Management Team (Senior Managers)

- Ensuring that all staff are personally engaged in the Efficiency and Improvement Strategy and act upon it;
- Ensuring that functional business plans make provision for achieving efficiencies and improvements;
- Ensuring that details of efficiency and improvement gains are reported in a timely fashion;
- Overseeing the work of any Efficiency and Improvement Project Teams;
- Ensuring that progress is made against action plans.

Uniformed and Support Staff

- Being aware of the efficiency and improvement agenda and taking into account of it within their normal roles;
- Identifying opportunities to provide efficiency and improvement gains for the benefit of the council tax payer and improving the Fire and Rescue Service.

9. Reserves and Balances

Reserves and balances are held in line with guidance issues by the Chartered Institute of Public Finance and Accounting (CIPFA) in 2003. Available reserves can be of help for three main purposes:-

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of the general reserves;
- a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
- a means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities.

As such the useable revenue reserves available to Wiltshire FRS are estimated at 31 March 2011 to be £1.359m, subject to the final outturn position for 2010/11 (as at Nov 10, £1.077m underspend).

	Useable Revenue Reserves/Provisions		
	General Reserves £m	Earmarked Reserves/ Provisions £m	TOTAL Revenue Reserves £m
Balance 1 April 2010	0.613	1.904	2.517
10/11 Budgeted Contribution	+0.075	+0.000	+0.075
10/11 Other Approved Use	0.000	+0.150	+0.150
10/11 Provisional U/S	+0.577	+0.500	+1.077
Est. Balance 31 Mar 2011	1.265	2.554	3.819
11/12 Budgeted Contribution	+0.094	0.000	+0.094
11/12 Approved Use	0.000	-0.712	-0.712
Est. Balance 31 Mar 2012	1.359	1.842	3.201

Looking at 2011/12 and beyond the level of revenue general reserves is expected to be maintained within £0.6m and £1.5m as per the Authority's policy, representing 2.4%-4.2% of net revenue expenditure. The level of reserves will be reviewed annually and be monitored by Members periodically, taking into account the Authority's risk strategy and the financial pressures it faces.

10. Financial Management

The service has effective financial management arrangements. However the service is always looking to improve its financial management.

It is planning to review its coding structure for 2011/12, in light of significant structural/organisational changes, to be cost centre based, a project which was originally planned in early years but has been deferred. This will assist in linking financial performance into performance management.

The Department also plan to review its finance system, with a view to implementing a major upgrade in the latter part of the year, which will deliver system and procedural improvements and efficiencies.

The Finance Department is also planning to:-

- continue to provide further financial training for finance and non finance managers and Members;
- review and develop the budget management framework and systems around it;
- continue to undertake further budget reviews, especially in light of the need to be more efficient and find cashable savings

Plans are underway to undertake some of this work during 2011/12 by improving present working practices and developing such new arrangements as necessary, for example, examining and developing the coding structure further within the Financial Information System for improved devolvement and dissemination of budget responsibility.

11. **Risk Management**

The proposals contained in this Strategy are underpinned by a comprehensive appraisal of strategic and operational risks. The Strategic Risk Register and Departmental Risk Registers are maintained and regularly updated. In this way risk management is treated as an integral part of the planning, budgeting and management process, rather than a separate annual event.

An assessment of the financial risks associated with the budget is as follows. These will be used as guides to consider the implications for the service and precept planning in the 2012/13 budget planning and setting process.

In order to carry out a financial risk assessment, a series of assumptions will be made, either pessimistic or optimistic about the extent of resources becoming available both from government but also as a result of taxbase changes.

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

These assumptions have been converted into potential likely limits on Precept/Council Tax increases scenarios within which the service will be operating over the next four years. The results can then be shown as potential shortfall(-) in resources, where expenditure is likely to exceed the limits, or headroom(+) where resources are available to allow further expenditure to be undertaken without exceeding the limits.

	Uncertainty/Risk	Pessimistic Assumption (Worst Case Scenario)	Optimistic Assumption (Prudent Best Case Scenario)
1	Financial Settlement e.g. RSG/NNDR Grant	7.5%-8.5% Cash Reduction in Grant 2013/14 onwards (2012/13 as per provisional finance settlement)	5% Cash Reduction in Grant 2013/14 onwards (2012/13 as per provisional finance settlement)
2	Capping	Reduced Capping level 2.5%	Capping level at 5%
3	Taxbase	0.65% Growth - minimum experienced in last 5 years	0.96% Growth each year - as per 2011/12
4	Collection Fund	Deficit £50,000 each year 2012/13 onwards	No Surplus/Deficit
5	Council Tax Freeze Grant	Taken, and withdrawn after two years.	Taken, payable each and every year as part of Finance Settlement for the duration of SR period.

The following two scenarios demonstrate the limits; a worse case scenario and a prudent best case scenario (as per Appendix B). It is expected that the actual will be somewhere in between.

Scenario 1 (Worse Case Scenario)

Assumptions

- Finance Settlement as per announced 2011/12 re: 25% real terms reduction (18.5% cash reduction) over 4 years;
- Maximum Council Tax increase(Capped) at 2.5%;
- Taxbase assumed at 0.65% increase for 2012/13 onwards (minimum);
- Collection Fund Deficit at £50,000 2012/13 onwards;
- Council Tax Freeze Grant taken 2011/12, (and therefore 2012/13, but withdrawn in 2013/14.

Scenario 2 (Prudent Best Case Scenario)

Assumptions

- Finance Settlement as per announced 2011/12, and 2012/13 and decreased by 5% each year 2013/14 and 2014/15;
- Maximum Council Tax increase at 3%:
- Taxbase assumed at 0.96% increase for 2012/13 onwards;

- No Collection Fund Surplus/Deficit 2012/13 onwards;
- Council Tax Freeze Grant taken 2011/12, (and given to the end of SR period 2014/15).

Resources Shortfall(-) or Headroom(+)

Assumptions	2012/13	2013/14	2014/15	TOTAL
Scenario 1	-£0.159m	-£1.089m	-£0.705m	-£1.953m
Scenario 2	£0m	-£0.312m	-£0.287m	-£0.599m

In the 'Worst Case' scenario (Scenario 1) based on the assumptions above, total savings and cost reductions required amount to £1.953m, however it is unlikely to occur. Scenario 2, 'Prudent Best Case' would require savings/cost reductions of £0.599m, again this is unlikely, but demonstrates the limits within which proposals will have to be made for years 2-4 of the planning period.

WILTSHIRE AND SWINDON FIRE AUTHORITY

THREE YEAR EXPENDITURE PLAN 2011/12-2013/14

Capital Programme

	2011/12 £	2012/13 £	2013/14 £
Department: Resources – Logistics			
Estates - Minor Capital Works	336,500	373,000	235,000
Estates - Major Projects			
- Transformation Improvement	400,000	0	0
Vehicles			
- Large Appliances	1,100,000	1,100,000	1,100,000
- Special Appliances	250,000	250,000	250,000
- Other Vehicles	311,000	349,000	315,000
Department: Resources – ICT			
Infrastructure			
- Virtualisation	0	15,000	0
- Wireless Improvement	0	15,000	0
- Disaster Recovery Internet Link	2,000	0	0
- Citrix Upgrade	18,000	0	0
- External Security & Protection	0	10,000	0
- Security	0	30,000	0
- Sharepoint Phase II	0	5,000	0
- Network Upgrade	50,000	0	0
- Network Hardware Replacement	5,000	15,000	15,000
- PC Replacement Programme	5,000	15,000	10,000
- SAN Hardware & Server Memory	50,000	0	0
- VOIP Upgrade - Call Manager	25,000	0	0
- Videoconferencing	0	25,000	0
Departmental			
- Driver Training Hardware - (HRL&D)	0	4,000	0
- Projector Unit Replacement - Control	20,000	0	0
- CFRMS Fire Investigation Module (Service Delivery)	0	7,000	0
- Firewatch Phase II (HRL&D)	75,000	0	0
- Agresso Upgrade (Finance)	70,000	12,500	0
Communications			
- Fire ground NOROS ATEX Radios	20,000	20,000	20,000
- Remsdaq Rack Servers	0	30,000	0
- Airwave-Cortex CCI Port Upgrade	80,000	0	0
Total Capital Programme	2,817,000	2,276,000	1,945,000
Funding Sources			
Capital Grants **	1,100,000	1,100,000	1,100,000
Unsupported Borrowing	1,717,000	1,176,000	845,000

**The Financial Settlement announced 31 Jan 11 identified £70m Capital Grant to be allocated to all fire services. WFRS was allocated £1.1m for 2011/12, which is assumed for future years also for planning purposes. The methodology used to allocate has not yet been determined, but it is assumed to cover the withdrawal of supported borrowing. Supported borrowing for WFRS was £0.700m in 2010/11.

APPENDIX B

Wiltshire Fire & Rescue Service Revenue Summary & Funding 2011/12 to 2014/15

<u>Scenario 1 Worst Case</u>	2010/11 £m	Inflation £m	Development/ Growth £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Employees	£19.328m	£0.169m	-£0.443m	£19.054m	£19.601m	£20.198m	£20.722m
Premises	£1.278m	£0.000m	-£0.039m	£1.239m	£1.249m	£1.253m	£1.253m
Transport	£0.795m	£0.000m	-£0.043m	£0.752m	£0.753m	£0.749m	£0.749m
Supplies & Services/Other	£4.306m	£0.002m	£0.081m	£4.389m	£4.445m	£0.188m	£4.345m
Gross expenditure	£25.707m	£0.171m	-£0.444m	£25.434m	£26.048m	£26.545m	£27.069m
Income	-£0.651m	£0.000m	£0.393m	-£0.258m	-£0.154m	-£0.151m	-£0.151m
Contributions to(+)/from(-) Reserves	£0.071m	£0.000m	£0.025m	£0.096m	£0.000m	£0.000m	£0.000m
Council Tax Freeze Grant	£0.000m		-£0.392m	-£0.392m	-£0.392m	£0.000m	£0.000m
Net Expenditure	£25.127m	£0.171m	-£0.418m	£24.880m	£25.502m	£26.394m	£26.918m
Increase in spending(%)				-0.98%	2.5%	3.50%	1.98%
Less Income							
Central Funding (RSG/NNDR Grant)	-£9.587m		£0.477m	-£9.110m	-£9.231m	-£8.522m	-£7.813m
Collection Fund Surplus(-)/Deficit(+)	-£0.023m		-£0.081m	-£0.104m	£ 0.050m	£0.050m	£0.050m
Council Tax Requirement	£15.517m	£0.171m	-£0.022m	£15.666m	£16.321m	£17.922m	£19.155m
Taxbase Base Increase (0.65%)	248,751		2,388	251,139	252,771	254,414	256,068
Council Tax Band D	£62.38			£62.38	£64.57	£70.44	£74.80
Percentage Increase in Council Tax				0%	3.51%	9.09%	6.19%
Maximum Increase in Council Tax					2.50%	2.50%	2.50%
Council Tax Band D at Max					£63.94	£65.54	£67.18
Precept					£16.162m	£16.674m	£17.202m
Savings Required					£0.159m	£1.248m	£1.953m
Prior Year Savings						-£0.159m	-£1.248m
Additional In Year Savings						£1.089m	£0.705m

