



WILTSHIRE FIRE & RESCUE SERVICE
Wiltshire and Swindon Fire Authority

Medium Term Financial Plan 2008/09 – 2010/11



Your Safety: Our Priority

1. Introduction

The Medium Term Financial Plan (MTFP) 2008/09 – 2010/11 aims to provide an assessment of how the Fire Authority will manage its finances over the three year period, in order to deliver its services to the people of Wiltshire and Swindon.

The fundamental objectives of the MTFP are:-

- to ensure the Authority has sufficient resources to deliver against its priorities;
- align spending plans (revenue and capital) to the core priorities within the Business Plan;
- deliver value for money and efficiency targets;
- 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

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, namely:-

- inflationary pressures, leading to an estimated budgetary shortfall in 2009/10 and 2010/11 of £0.340m and £0.513m respectively;
- reducing government funding, making it imperative that service reviews are successful in delivering efficiencies, leading to savings;

and in doing so provides a strategy for addressing these issues and pressures.

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 is now underway and is expected to be operational in 2009/10. In modernising the fire service, additional staffing reviews will be required and like the RCC project the financial impact of such reviews has yet to be determined. In addition the Governments' white paper, 'Stronger and Prosperous Communities' and

the regulatory inspection process of Comprehensive Performance Assessment(CPA) and Comprehensive Area Assessment (CAA), will undoubtedly change the way we work, and in particular how we work in partnership with others, and within the Local Area Agreements.

The plan, having regard to the unknowns, brings together the financial impact of the business plan 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 Business Plan.

3. Background

In June 2006 the Fire Authority introduced its draft Business Plan (The Blue Book – Bringing It All Together.....An Agenda for Change) for the period 2006 – 2010. The Plan was the subject of considerable debate within the Fire Authority and with its external partners.

In addition, the Comprehensive Performance Assessment (CPA) identified a number of areas where the Fire Authority needed to incur additional expenditure over and above that in the Budget to improve the service.

On 7th February 2008 the Combined Fire Authority approved the 2008/09 Budget. Details of the approved budget, which amounts to £23,518,100, an increase of 3.8% over the 2007/08 Budget, can be found in the summary in Appendix A.

4. Priorities and Service Pressures

In order to define its 'Direction of Travel' the Fire Authority adopted a Business Plan covering four financial years 2006/07 to 2009/10.

The Business Plan sets out the Fire Authority's aims, objectives and core values encapsulated in its twenty-one work priorities.

The priorities for the first 12 months concentrated on putting in place mechanisms, systems and processes for achieving future improvements to the service.

In setting the Budget for 2007/08 and more recently 2008/09, the Fire Authority made provision for additional staffing and equipment to meet the immediate and mid-term needs outlined in the Business Plan.

5. Inflationary Increases - Spending Plans

In establishing a predicted 2009/10 budgets requirement the following assumptions for inflationary increases have been applied:

Salary based budgets	3%
Non- salary budgets e.g. Supplies and Services, Except for	3%

a) Utilities i.e. Electricity/Gas /Water Services b)Property Rates c)Vehicle Fuel	a)15-20% b)5.8% c) 20%
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It recognises that some items have risen significantly since the 2008/09 budget process started, due to global and national economic reasons.

Members will be requested to endorse the inflationary Increases adopted for establishing the medium term financial plan.

It is 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 2009/10 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.

6. Inflationary Increases - Income (how net expenditure on service delivery is funded)

The Fire Authority's income (or funding) 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);
- **Council Taxes** levied on properties in Wiltshire and Swindon; and
- Other Income from the surplus on the Billing Authorities' Collection Accounts, investment income and charging for discretionary services.

Government Funding

In setting its Budget the Fire Authority had to consider the overall funding constraints set out by the Government. In the Comprehensive Spending Review 2007, the Government set out its intention to introduce a three-

year finance settlement with grant allocations being announced for three years, for 2008/09, 2009/10 and 2010/11.

Government support for 2009/10 now amounts to £9,328,284. For Wiltshire FRS this represents an increase of 1.9% or £176,460 on the 2007/08 total of £9,151,824.

In the previous MTFP approved in March 2007, expectations were that government funding would increase by 2% annually. In reality the actual and provisional increases are 1.9% (for 2008/09 - actual), 1.3%(2009/10 - provisional) and 1.5% (2010/11 - provisional), equating to £176,460, £120,520 and £137,957.

Year	% Increase	Amount (£)	Government Funding (£)
2007/08			9,151,824
2008/09	1.9%	176,460	9,328,284
2009/10	1.3%	120,519	9,448,803
2010/11	1.5%	137,957	9,586,760

It is therefore now more important that as government funding is reducing, efficiencies are required to be able to sustain a balanced budget, whilst keeping Council Tax rises to minimum.

Council Tax

For 2007/08 the Fire Authority set a Band D Council Tax at £55.39. In 2008/09 the Council Tax increased by 4.25% to £57.74.

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. Council Taxes are 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, and this upward trend is set to continue.

For 2007/08 the Council Taxbase was 241,405 Band D equivalents. Swindon Borough and the four District Councils now estimate that the total number of Band D equivalents will increase to 244,895 (1.45%) in 2008/09. The increase in Band D equivalents has been particularly significant in Swindon and North Wiltshire and this trend is likely to continue.

Experience shows that the Fire Authority can reasonably expect its Council Taxbase to achieve a year-on-year increase of at least 1%. The table below shows a projection of the likely affect of a 1% increase in the Council Tax base and the income this would generate in the forthcoming years based on the 2008/09 Council Tax of £57.74.

Financial Year	Council Taxbase	Band D Council Tax	Income £m
2008/09	244,895 (actual)	£57.74	14.141
2009/10	247,344 (estimate)	£57.74	14.282
2010/11	249,817 (estimate)	£57.74	14.424

The level of income generated by Council Tax payers is represented by:-

Council Taxbase x Band D Council Tax

The Government has draconian powers available to restrict the level of any Council Tax increase, and the government expectation is that the average increase in Council tax will be well below 5% in each year.

Such measures clearly restrict the Fire Authority's ability to raise taxes to pay for the fire and rescue service. The tables below show a range of increases and the potential tax income that would be derived.

Year	CT base	Band D CT	£m	Band D CT	£m	Band D CT	£m	Band D CT	£m	Band D CT	£m
		5.00%		4.75%		4.50%		4.25%		4.00%	
08/09 (Act)	244,895							57.74	14.14		
09/10 (Est)	247,344	60.63	15.00	60.48	14.96	60.34	14.92	60.19	14.89	60.05	60.63
10/11 (Act)	249,817	63.66	15.90	63.35	15.83	63.06	15.75	62.75	15.68	62.45	63.66

A 5% increase in Council Tax equates to £0.86m (£15m less £14.14m) additional income in 2009/10 and £0.9m in 2010/11, based on an estimated 1% increase in the tax base.

7. 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 Plan provides a three year plan of the Authority's proposed capital spending.

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 MTFP 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 B shows the three year capital expenditure plan. Following the Emergency Cover Review 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 B, the impact on the revenue account would mean an additional £0.040m in 2009/10 and £0.053m in 2010/11 is required to support the programme without other forms of capital financing being generated i.e. through capital receipts or capital grants.

Revenue

Given the inflationary assumptions on spending and funding in sections 5 and 6 above, the following summary position (for further details see Appendix A) shows the impact on spending plans for 2009/10 and 2010/11.

	<i>Budget 2008/09 £m</i>	Estimated Budget 2009/10 £m	Estimated Budget 2010/11 £m
Net Revenue Expenditure	23.518	24.833	26.053
Funding:			

Government Grant (RSG/NNDR)	-9.328	-9.449	-9.587
Council Tax Surpluses	-0.049	-0.050	-0.050
Council Tax requirement	14.141	15.334	16.416
Taxbase	244,895	247,344	249,817
Band D (a)	£57.74	£62.00	£65.71
Increase in Council Tax	4.25%	7.38%	5.98%
Taxbase (b)		247,344	249,817
Increase at 5% - Band D (c)		£60.63	£63.66
Difference in Council Tax(d)=(a)-(c)		£1.37	£2.05
Estimated Saving Required (d) x (b)		£0.340m	£0.513m

Current indications, given the spending plans in 2009/10, are that in order to balance the budget a Council Tax rise of 7.38% would be required.

Clearly in order to keep the increase in Council Tax to a level likely to be acceptable to the Government, say 5%, and assuming increases in RSG and NNDR as per the provisional settlement of 1.3% and a 1.5% increase and a 1% increase in the Taxbase, it is estimated that:-

- savings are required in 2009/10 of around £0.340million,
- savings are required in 2010/11 of around £0.513million,

8. Balancing the Budget

The above outlines the Authority's likely revenue and capital position over the three years 2008/09 to 2010/11. The Plan clearly shows that the Authority has to address a potential shortfall in its finances in 2009/10 onwards.

The officers have considered the MTFP and have adopted the following Action Plan.

Action Plan

The Management Board will lead the process of balancing the budget and will meet on a regular basis to review the level of spending in the current financial year and to identify areas where potential savings can be made in advance of the preparation of the 2009/10 Budget.

The Management Board will provide the Combined Fire Authority, and the Finance Review Committee with regular progress reports, and details of the actions required to be taken to balance the budget.

The Business Management Team, consisting of Directors for Finance, People, Technical Services, ICT, and Communities, has responsibility for the management of the operational 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.

The Authority is also committed to finding savings as a part of the annual efficiency review process and funds were set aside from the underspend in 2007/08 to assist with this. The Management Board proposes to enthusiastically embrace this process and use it as a catalyst for balancing the budget. This will be achieved by clearly identifying areas where savings are possible, reviewing current arrangements and putting in place mechanisms designed to ensure that savings are delivered for the benefit of the community.

As in any year, it is becoming increasingly difficult to predict the impact of external influences over the Fire and Rescue Service as a whole. This MTFP 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 potentially may have a significant financial impact for the services are:-

- the Regional Control Centre (RCC) – although it is anticipated that most additional costs will be met from government funding under 'New Burdens', it is also expected that the service will have some costs which it will have to meet. As the RCC becomes imminent the costs and financial implications will become clearer;
- changing terms and conditions, leave and sickness entitlement, working practices and equality initiatives - a review of staffing cover may be necessary which may result in additional staffing costs in future years. Until a review is carried out costs and implications cannot be determined;
- partnership arrangements - arising from the Government's white paper on 'Strong and Prosperous Communities', which potentially will change the way we operate, and have significant financial implications for determining our costs and the funding of such costs.

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 WF&R Service are estimated at 31 March 2008 to be £0.721m, subject to the final outturn position for 2007/08, however, it should be noted that an additional £0.101m was identified as required in setting the 2008/09 budget.

	Useable Revenue Reserves/Provisions		
	General Reserves £m	Earmarked Reserves/ Provisions £m	TOTAL Revenue Reserves £m
Balance 1 April 2007	0.573	1.771	2.344
07/08 Budgeted Use	0.047	0.000	0.047
07/08 Other Approved Use	0.000	-0.168	-0.168
07/08 Provisional U/S	0.101	0.081	0.182
07/08 Set Aside Provision	0.000	0.062	0.062
Est. Balance 31 Mar 2008	0.721	1.746	2.467
08/09 Budgeted Use	-0.161	-0.270	-0.431
08/09 Other Use	0.019	-0.177	-0.158
Est. Balance 31 Mar 2009	0.579	1.299	1.878

In addition to the revenue reserves detailed above there is a small useable Capital Receipts Reserve holding £0.030m which can be used to support the Capital Programme. As referred to above in section 7, in reviewing the asset base, the Authority will seek to maximise capital receipts where possible in order to reduce the amount of unsupported borrowing.

Looking at 2008/09 and beyond the level of revenue general reserves is expected to be maintained at around £0.579m or above, representing 2.5% 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, and is planning 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, using a zero based approach, for the 2009/10 budget.

Plans are underway to undertake this work during 2008/09 by improving present working practices and developing such new arrangements as necessary, for example, examining and developing the coding structure within the Financial Information System for improved devolvement and dissemination of budget responsibility.

The Comprehensive Performance Assessment (CPA) Improvement Plan and the Business Plan have brought into being a number of strategies that are designed to improve the management and efficiency of the service. The following is a brief summary of that work and the potential outcomes:-

- An Emergency Cover Review will be undertaken during the lifetime of the MTFP. This work may result in changes that will see efficiencies accrue for the benefit of the community.
- A review of the Authority's property holdings has been undertaken by an external consultant. This review has shown that some of the Authority's premises require considerable investment to overcome previous under investment. Additional capital and revenue spending has been identified and best estimates of the likely cost have been included in both the capital and revenue parts of the MTFP.
- The Authority has agreed its Procurement Strategy and this will result in significant changes to procurement arrangements. Purchasing cards continue to be introduced to simplify and streamline the purchase of goods and services. National agreements are still being developed for the provision of equipment and uniforms.
- A review of the transport provisions of the "white fleet" to secure increased efficiency and economy in operating costs, improved "green" credentials and meet the needs of the FireLink project in terms of high operational radio standards.

A programme of reviews will develop to deliver service efficiencies and improvements, and be the focus of further work so that the Authority can

find the necessary savings to reduce the financial shortfall and keep
Council Tax rises to an acceptable level.

APPENDIX A

Wiltshire Fire & Rescue Service Revenue Summary & Funding 2008/09 to 2010/11

Spending	2007/08 £m	2008/09 £m	Inflation £m	Development/ Growth £m	2009/10 £m	Inflation £m	Development/ Growth £m	2010/11 £m
Employees	17.134	18.040	0.541	-0.007	18.574	0.557	-0.002	19.128
Premises	0.981	1.005	0.049	0.007	1.061	0.032	0.000	1.093
Transport	0.616	0.639	0.049	0.083	0.771	0.023	0.009	0.803
Supplies & Services/Other	4.013	4.273	0.091	0.350	4.714	0.101	0.508	5.323
Gross expenditure	22.744	23.957	0.729	0.434	25.119	0.714	0.515	26.348
Income	-0.136	-0.277	-0.008	0.000	-0.286	-0.009	0.000	-0.294
Contributions to(+)/from(-) Reserves	0.048	-0.161	0.000	0.161	0.000	0.000	0.000	0.000
Net Expenditure	22.656	23.518	0.721	0.595	24.833	0.705	0.515	26.053
Increase in spending(%)		3.8%			5.6%			4.9%
Less Income								
Central Funding (RSG/NNDR Grant)	-9.152	-9.328	1.3%		-9.449	1.5%		-9.587
Collection Fund Surplus	-0.134	-0.049			-0.050			-0.050
Council Tax Requirement	13.371	14.141			15.335			16.416
Taxbase	241,405	244,895	1.0%		247,344	1.0%		249,817
Band D Property Council Tax	£55.39	£57.74			£62.00			£65.71
Monetary Increase in Council Tax		£2.35			£4.26			£65.71
Percentage Increase in Council Tax		4.25%			7.38%			5.98%
Council Tax Increase @5%		£57.74	5.0%		£60.63	5.0%		£63.66
Council Tax as above (£)					£62.00			£65.71
Difference in Council Tax (£)					£1.37			£2.05
Estimated Taxbase					247,344			249,817
Estimated Savings Required (millions)					£0.340	m		£0.513

APPENDIX B

WILTSHIRE AND SWINDON FIRE AUTHORITY

THREE YEAR EXPENDITURE PLAN 2008/09-2010/11

Capital Programmes

	2008/09	2009/10	2010/11
	£	£	£
Amesbury Fire Station Works	2,500	13,000	14,000
Bradford on Avon Fire Station Works	25,900	0	7,500
Calne Fire Station Works	11,000	0	47,600
Chippenham Fire Station Works	0	12,500	17,500
Corsham Fire Station Works	0	0	40,000
Cricklade Fire Station Works	0	0	25,500
Devizes Fire Station Works	20,000	0	35,700
Ludgershall Fire Station Works	0	1,500	42,800
Malmesbury Fire Station Works	23,000	7,500	27,500
Marlborough Fire Station Works	19,000	34,000	15,500
Melksham Fire Station Works	13,500	0	18,500
Mere Fire Station Works	6,500	11,000	10,000
Pewsey Fire Station Works	11,500	0	70,800
Ramsbury Fire Station Works	8,000	17,500	14,000
Salisbury Fire Station Works	16,500	22,500	103,700
Service HQ - works to various buildings	124,000	150,500	120,500
Stratton Fire Station Works	22,500	18,500	12,500
Swindon Fire Station Works	60,000	89,000	63,000
Tisbury Fire Station Works	0	0	2,500
Training Centre	8,500	0	20,000
Trowbridge Fire Station Works	12,000	13,000	10,000
Warminster Fire Station Works	0	56,000	14,000
Westbury Fire Station Works	33,000	0	51,500
Westlea Fire Station Works	31,000	2,500	29,500
Wilton Fire Station Works	14,900	0	0
Wootton Bassett Fire Station Works	18,000	0	56,000
Total capital programme - minor capital works	481,300	449,000	870,100

Information, communication technology strategy

PC Replacement Programme	25,000	25,000	25,000
Server Replacement Programme	20,000	20,000	20,000
IP Telephony Phase 2	75,000	50,000	50,000
Remote/Home Working	15,000	5,000	5,000
Hand-held Devices	0	10,000	10,000
Video Conferencing	5,000	0	0
Broadband/Network Development	50,000	0	50,000
External Web Systems	5,000	0	0

Replacement for Webwings	25,000	0	0
Wireless LAN	0	0	30,000
Retained Recording System	50,000	0	0
Asset Management Recording System	20,100	0	0
DCLG Firelink	130,000	50,000	0
Total capital programme - ICT	420,100	160,000	190,000
Total capital programme	901,400	609,000	1,060,100
Supported borrowing level	609,000	609,000	609,000
Funded from Reserves	270,000	0	0
Proposed borrowing in excess of supported level	22,400	0	451,100