

Wiltshire & Swindon Fire Authority

Medium Term Financial Strategy 2014-19

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1. Introduction

- 1.1 The Medium Term Financial Strategy (MTFS) 2014-19 brings together Wiltshire & Swindon Fire Authority's medium term aims and objectives; long enough to support the strategic intent, but short enough to enable anticipation of the main impacts.
- 1.2 The Strategy continues to build on and develops the significant work undertaken so far, in addressing the significant financial difficulties facing the Authority. The Service has been proactive in that respect, and much has already been achieved and planned in preparation for what is still to come.
- 1.3 The fundamental objectives of the Authority are to deliver affordable, value for money services, and as such, the MTFS is established to:-
- ensure the Authority has sufficient resources to deliver against its priorities;
 - 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.
- 1.4 The current financial context of the Authority is set by the funding outcomes from the Government's most recent spending reviews. Comprehensive Spending Review 2010 (CSR10), announced in October 2010, outlined the funding strategy for the period 2011/12 to 2014/15 and Spending Review 2013, announced in June 2013 extended this funding strategy to 2015/16. The impact of these announcements, nationally and locally, is discussed on pages 7 and 8, along with a profile of how Wiltshire compares with other fire and rescue authorities in terms of funding, council tax and spending.
- 1.5 The Authority has a long history of sound financial management and governance and delivers on its promise to achieve value for money. We have consistently spent within the budget set by the Fire Authority and achieved significant savings and efficiencies when budget gaps have been identified.

- 1.6 In developing our financial plans for 2014/15 onwards we have identified a number of budget issues and carried out a sensitivity analysis on some key areas such as the impact of varying levels of pay award. These issues and risks are reflected on pages 9 to 15.
- 1.7 Our medium term projections bring together all of this work and reflect how our aspirations from the Public Safety Plan translate into our revenue and capital budget requirements. Table 4 on page 14 shows our budget projections up to 2018/19 and on pages 15 we look at the likely funding gap faced by the Service.
- 1.8 Section 5 of the plan outlines how we are planning to deal with the future funding gap through a programme of transformational change.
- 1.9 Our capital investment needs for the next 3 years are shown in Section 6, pages 20 to 21. This shows our draft capital investment requirements, how we plan to finance this investment and the impact on the revenue budget.
- 1.10 The final section of the strategy looks at our reserves and balances and how we plan to use them over the next few years to support the Authority's revenue budget and capital investment needs.
- 1.11 This is a dynamic document, integral to our financial management and will be updated in response to national, regional and local issues when these affect the Authority's financial position.
- 1.12 In that respect there are a number of other considerations which the service must take account in the future service provision which to a greater or lesser extent will impact and reflect on the ever-changing demands on the service:-
- The National Framework for Fire and Rescue Services
 - Police & Crime Commissioners
 - Public sector pension changes
 - An aging society
 - Unemployment
 - Social unrest
 - Social media, cyber security and technology
 - The Working Time Directive
 - Flooding and severe weather
 - Terrorism

- Localism Act, Community Right to Challenge

1.13 This strategy, having regard to the political, economic, socio-cultural, technological, legal and environmental aspects and influences, 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 strategic aims and objectives.

2. Aims, Objectives and Values

2.1 We have a clear corporate vision, supporting priorities a core values that provide direction for us to improve and this is shown in the following below.

2.2 **Our mission statement:** “We will make life safer for people in Wiltshire and Swindon and help strengthen and secure the changing communities we live in, by working together with others to deliver local solutions for local priorities.” But what does that mean for the people who live, work and visit here and what can you expect from us?

Our vision is to continue providing an excellent community safety and response service. We will work together with our partners to deliver our services by being in the heart of the community, for the community.

- Re-enforcing our position of serving in the heart of our communities.
- Always being there as a central focus for community activities.
- Being an employer of choice and attracting high calibre people.
- Being the leading community safety organisation.
- Focusing our work on reducing the risks to the community.
- Promoting our successes.
- Expanding our services and promoting community safety and risk reduction.



We will provide safety information and support to help people whether they are at home, at work, at leisure or travelling through Wiltshire and Swindon. These services will include:

- Advising businesses to fit fire sprinklers and enhance their fire safety provisions.
- Continuing to provide key community leadership in all the activities we undertake.
- Business continuity planning and risk management services.
- Providing advice on flood risk protection.
- Providing advice on risk reduction and protection against road traffic collisions.
- Sustaining and contributing to economic growth in the county.
- Developing our staff to meet these challenges.
- Rural safety, including animal rescues, safety information for farmers and humanitarian assistance.
- Developing services to continue reducing risk in our communities.

Our **strategic aims** are to:



To develop a healthy, safe, well trained workforce which is representative of the community



To protect our environment and heritage



To resource our key aims to ensure maximum efficiency



To provide a resilient response to fires and other emergencies



To create stronger, safer and more resilient communities

Our core values help us to become a better organisation and they are linked to our strategic aims. We rely on our staff to help us to achieve our priorities and objectives and expect everybody to work hard to provide a really professional service which helps to make your life safer.

To help us review and improve the way our staff do their jobs, we have a series of workplace behaviours. These are what we expect of our staff during their employment and career progression. In this way, we can make sure that our staff are linking their day to day activities with our core values, so we are all working together to make our communities safer and stronger.



Service to the community

Working with others fairly and with respect, to reduce risk, striving for excellence in all we do and being answerable to our communities.



People

Demonstrating honesty, integrity and mutual trust with our staff, recognising merit and encouraging personal development.



Diversity

Providing different solutions for different needs, promoting equal opportunities in employment and progression within the service and challenging prejudice and discrimination.



Improvement

Improving our service through consultation, learning from our experience, being open minded and responsible for our performance.

3. Financial Context

3.1 National Context

- 3.1.1 The national spending controls for local government up to 2015/16 have been fixed by the Spending Review 2010 (SR10) and Spending Review 2013 (SR13). SR13 was announced by the Chancellor in June 2013.
- 3.1.2 Years 1 and 2 (2011/12 and 2012/13) of the SR10 period showed headline national average reductions for fire authorities of 5.8% (2011/12) and 0.7% (2012/13) but there was wide disparity across the country. The maximum 'floor' reductions were set at 9.5% for 2011/12 and 3.4% for 2012/13. 8 authorities received the maximum 'floor' reduction of 12.9% over the two years. 6 authorities, including Wiltshire, saw their funding increase over these two years.
- 3.1.3 Funding totals covering years 3 and 4 of the SR10 period were announced in December 2012 with headline reductions in funding for standalone fire authorities of 8.7% for 2013/14 and 7.4% for 2014/15. The announcement also provided for the first local government finance settlement under the new business rates retention scheme, a new way of funding local government from April 2013.
- 3.1.4 Spending Review 2013 was announced on 26 June 2013 and indicated a further 10% reduction in FRA funding for 2015/16. The Government quoted an average reduction of 7.5% but that was after adding back £30m of transformation funding (equivalent to 2.5% grant) to help meet the upfront costs of transforming the fire service and to act on the opportunities identified in the Knight Review.

3.2 Impact on Wiltshire

- 3.2.1 The impact on Wiltshire of these national funding changes is shown in Table 1: -

Table 1: Formula Funding Allocations

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	£m	£m	£m	£m	£m	£m
Formula funding *	9.587	9.110	9.231	8.442	7.680	6.882
% change		-5.0	1.3	-8.6	-9.0	-10.4

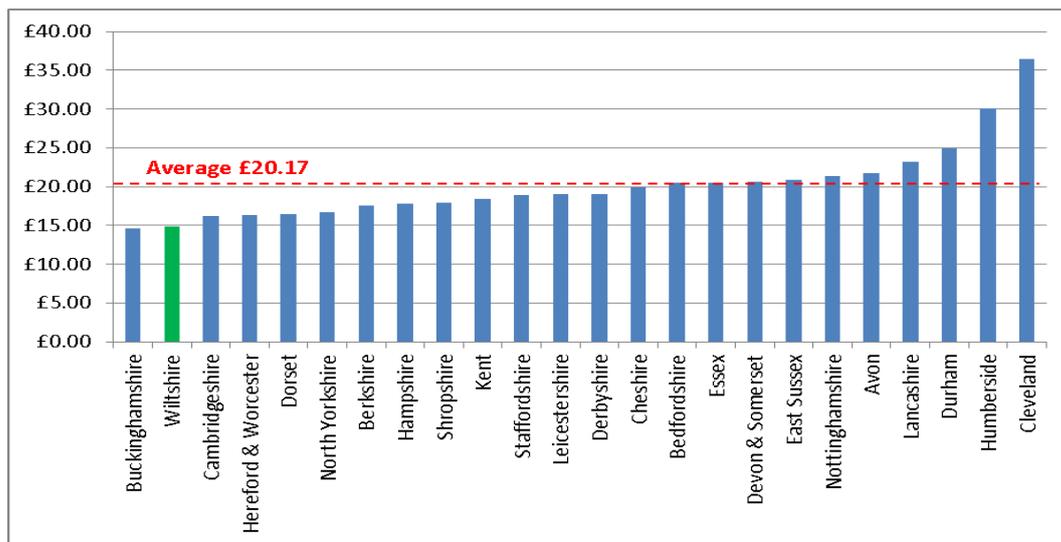
* for comparison purposes this excludes council tax freeze grant and council tax support funding

- 3.2.2 You can see from the table that Wiltshire fared comparatively well in the funding settlement for Years 1 and 2 of SR10. Our level of grant reduced by 5.0% for 2011/12 and then increased by 1.3% in 2012/13. Since then our level of formula funding has reduced dramatically and shows an expected cash reduction of over £2.3m between 2012/13 and 2015/16.

3.3 Financial standing

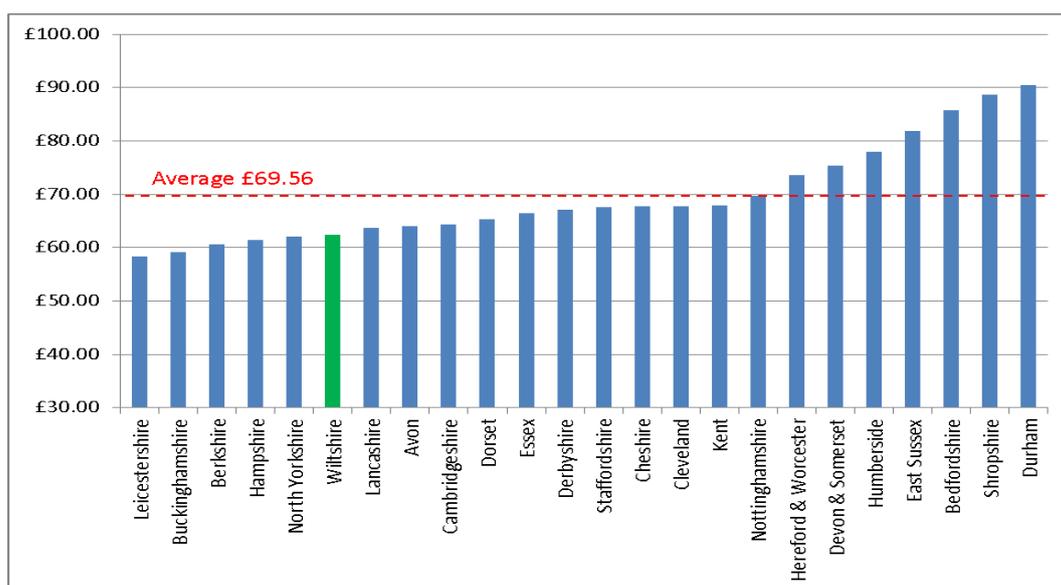
3.3.1 Wiltshire has traditionally been a low spending authority. However, it has also suffered from being a low funded authority, receiving much lower than average funding from central government. Wiltshire's total funding per head of population for 2013/14 was £14.87, £5.30 less than the average for all combined authorities of £20.17. If Wiltshire were funded at the average level an additional £3m grant would be received.

Chart 1: 2013/14 Grant funding per head of population (all Combined Fire Authorities)



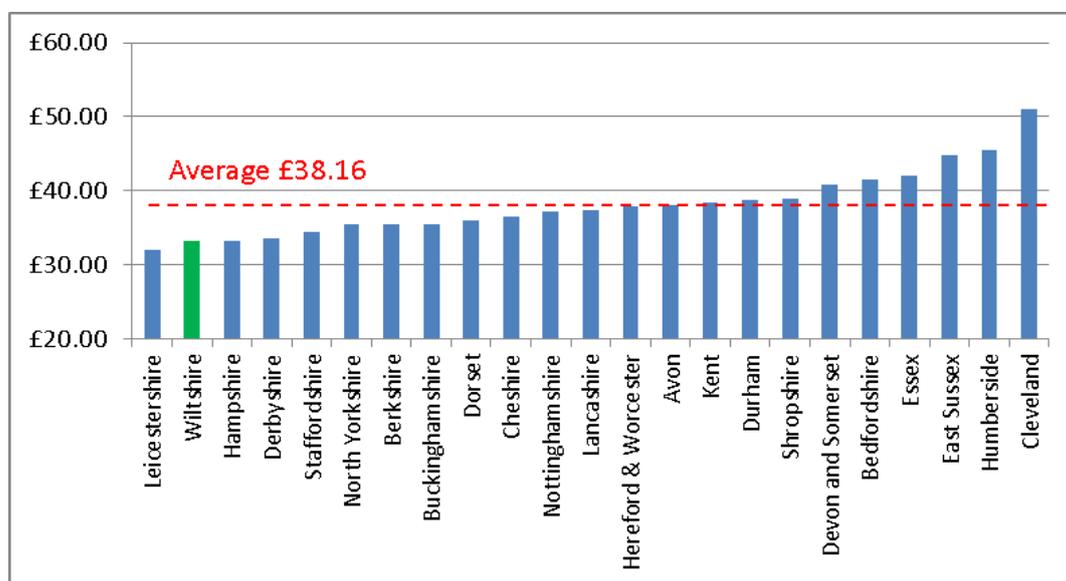
3.3.2 The low level of funding inevitably places pressure on levels of Fire Precept Band D but Wiltshire's Fire Precept Band D is still well below the average for combined fire authorities. Our 2013/14 Band D council tax figure was £62.38, compared to an average of £69.56 (see Chart 2).

Chart 2: Band D Council Tax 2013/14 (all Combined Fire Authorities)



3.3.3 In terms of cost, Wiltshire again compares favourably with other authorities. Chart 3 shows how Wiltshire's net revenue expenditure compares with other combined fire authorities when looked at in terms of cost per head of population; at £33.16 in 2012/13 compared with the average of £38.16.

Chart 3: Net expenditure per head of population 2012/13 (all Combined Fire Authorities)



4. Budget 2014/15 and Medium Term Forecast

4.1 Government Funding

4.1.1 The Provisional Finance Settlement details for 2014/15 were published on 18 December 2013. They show the Authority's total grant funding to be £9,743,430. This includes Revenue Support Grant funding of £5,529,129 and a Baseline Funding Level, under the Business Rates Retention Scheme, of £4,214,302. The complete make-up of the total grant funding is shown in the table below and includes continued funding of £389k for the council tax freeze compensation for the 2011/12 council tax freeze.

Table 2: Breakdown of total government funding for 2014/15

Element of funding	Revenue Support Grant	Baseline Funding Level	Total Funding
Formula funding	£5,122,809	£4,054,790	£9,177,599
Council Tax Freeze Grant			
- 2011/12	£230,388	£159,512	£389,900
- 2013/14	£159,057	-	£159,057
Efficiency Support (Sparcity)	£5,763	-	£5,763
Returned holdback	£11,112	-	£11,112
2014/15 Total government funding	£5,529,129	£4,214,302	£9,743,430

2013/14 Total government funding	£6,372,710	£4,133,774	£10,506,484
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4.1.2 In actual cash terms our total of government funding has reduced by £763,054 or 7.3%. The average reduction across all standalone FRAs was 6.9%, with reductions ranging from 5.6% (Hereford & Worcester and North Yorkshire) to 7.7% (London).

4.1.3 Wiltshire's level of total funding per head of population is now the 2nd lowest amongst 24 combined FRAs at £14.87, compared to an average of £20.17, and a range from £14.57 (Buckinghamshire) to £36.41 (Cleveland).

4.1.4 The Provisional Finance Settlement details also included a provisional grant settlement figure for 2015/16. This shows our overall level of government funding reducing further, from the £9.743m shown above to £8.945m in 2015/16, a reduction of £798k or 8.2%.

4.1.5 There is still much uncertainty over the funding settlement in future years beyond 2015/16, and this will be influenced by the General Election in 2015 and the next Comprehensive Spending Review. For planning purposes, and based on information previously published by DCLG, our medium term financial strategy assumes average reductions in Fire Service funding of 5.5% each year from 2016/17 to 2019/20. The impact of this assumption is to add about £0.45m-£0.5m per year to our forecast deficit, or around £2m by 2019/20.

4.2 Localisation of council tax support

4.2.1 In April 2013 localised council tax support schemes (LCTS) replaced council tax benefit (CTB). Unlike CTB which was a national system, LCTS is local, with all local authorities across the country devising and implementing their own schemes. The funding provided by government to fund LCTS was 10% less than previously provided for CTB.

4.2.2 Apart from a requirement that pensioners must receive the same amount of support as they did previously local authorities had autonomy around the creation of their local schemes. The financial impact of the schemes is seen as a reduction in the council taxbase. For 2013/14 the council taxbase for Wiltshire & Swindon Fire Authority reduced by 10.1% to 229,997 from 255,870. Provisional estimates for 2014/15 show the council taxbase increase by 1.6% to 233,580. There is also a one-off collection fund surplus of £247k.

4.3 Council Tax Freeze Grant Funding

4.3.1 In the Spending Round 2013 the Government announced plans for additional funding to support council tax freezes in 2014/15, with local authorities receiving a one-off grant equivalent to a 1% increase in council tax, payable in 2014/15 and 2015/16, and potentially a similar arrangement in 2015/16. The Provisional Local Government Finance Settlement shows an indicative allocation for Wiltshire of £160k, payable in 2014/15 and 2015/16, if council tax is frozen in 2014/15 and a similar amount payable in 2015/16 if council tax is frozen for a second year.

4.3.2 In the Provisional Settlement DCLG also confirmed that any council tax freeze funding allocated for 2014/15 and 2015/16 will be built into the funding baseline for future years. That said, the level of cuts estimated in future years will negate the impact of the additional income being built into the funding baseline.

4.4 **Council Tax and Local Referendums**

4.4.1 The introduction of the Localism Act abolished council tax capping powers and introduced the concept of council tax referendums to enable local electorates to decide on council tax increases above specified levels, rather than central government. 2012/13 was the first year for council tax referendum limits, with a limit of 4% for single purpose fire and rescue authorities.

4.4.2 For 2013/14 the council tax referendum limit was set at 2%, with some exceptions to this principle for shire district councils, fire and rescue authorities and police and crime commissioners, whose 2012/13 Band D council tax was in the lower quartile for their category of authority. For these authorities, council tax referendums were only required where the basic amount of council tax was increased by more than 2% and there was a cash increase of more than £5.

4.4.3 Eight stand-alone FRAs were covered by this £5 principle (Wiltshire was not one of these), with all but Buckinghamshire choosing to increase their level of precept by close to £5. Buckinghamshire chose to freeze council tax.

4.4.4 The average Band D council tax amongst combined fire and rescue authorities in 2013/14 was £69.56. At £62.38 Wiltshire & Swindon Fire Authority is still well below the average.

4.4.5 For medium term planning purposes, we have assumed that the fire precept band D council tax will only rise by 2% from 2015/16 onwards, as a maximum.

4.5 **Pay Costs**

4.5.1 Pay and pensions expenditure accounts for over 75% of the Authority's net budget requirement. Consequently the cost of pay awards and other contractual costs such as pay increments are a major factor when budgeting for future years.

4.5.2 In his Autumn Statement 2011, the Chancellor announced plans for restraint on public sector pay, with a policy to restrict pay awards at an average of 1% for the two years from 2013/14. In the 2013 Budget, the Chancellor extended this policy to include the 2015/16 financial year.

4.5.3 Our medium term assumptions include provision for 2% pay awards across all years and for all staff groups from 2014/15 onwards. Throughout 2013/14 the Fire Brigades Union have been in dispute with the Government over uniformed staff revised terms and conditions of employment around pensions, leading to significant industrial action taken. The impact may lead to concessions which may be reflected in the future pay awards. Corporate staff costs are likely to increase above the 1%, to allow for

increases in employer contribution in respect of pensions, and pay increments. The table below summarises the estimated additional costs of pay awards and increments over the next three financial years.

Table 3: Impact of pay awards and increments

	2014/15 £'000s	2015/16 £'000s	2016/17 £'000s
Cost of pay awards and contractual increments	364	360	375

- 4.5.4 The cost of pay awards is a significant risk factor for our budget. The cost of underestimating pay awards by 1% is approximately £220k for a full year.
- 4.5.5 Another significant financial risk to the Authority is the introduction of the Single State Pension from April 2016. This will mean an end to the reduced, contracted-out, employer national insurance contributions that we currently pay for all staff who are members of the firefighter's pension scheme and local government pension scheme. For this Authority the additional costs has been estimated at £300k and this sum has been added to our budget projections for 2016/17 onwards.
- 4.6 Other Inflationary Commitments**
- 4.6.1 Other non-pay related costs are generally on the increase. We have assumed a 3% increase in general prices, but some areas of cost are forecast to increase at much higher levels. For instance we have allowed for higher costs of fuel, and utility costs such as gas, electricity and water prices, from October 2014.
- 4.6.2 Inflation has only been applied where there is a contractual/legal commitment or for items beyond our control, such as fuel prices as explained above. For all other non-pay expenditure we have assumed that budgets are frozen at 2013 prices, as we have consistently done for the last 6 years. This assumption effectively leads to a budget saving of around £110k, based on spending of £3.8m and an inflation rate of 3%.
- 4.7 Investment Income**
- 4.7.1 For 2013/14, we estimated the level of investment income to be about £24k based on interest rates and cashflow forecasts at the time. For planning purposes previous expectations assumed that investment returns would have increased again from 2012/13 onwards but this has not happened and there is no sign of investment returns increasing much at the present time. This updated plan continues to assume that investment income levels will be slightly less than the 2013/14 level for the foreseeable future, primarily as we use any surplus cashflow to finance the capital programmes, rather than through borrowing, as is our strategy.
- 4.7.2 This Authority will continue to invest its surplus cash funds in only those financial institutions which comply with our Treasury Management Strategy.

4.8 Firefighters Pensions

- 4.8.1 Each fire authority is currently required to contribute 21.3% of pensionable pay as an employer contribution under the 1992 Firefighters' Pension Scheme (FPS) and 11% for the 2006 Firefighters' Pension Scheme (NFPS). For Wiltshire the NFPS is mainly impacted by RDS staff at the current time, although there are 28 WDS staff in the Scheme and this will increase in future years depending on recruitment requirements.
- 4.8.2 The Government has still not published the full results of the last valuation of the Firefighters Pension Schemes but we do know from the 2007 valuation that employer contributions would need to rise by about 3% for the FPS and 0.8% for the NFPS. We do not expect there to be any increase in employer contributions in 2014/15 but we do not know about the position for 2015/16 onwards.
- 4.8.3 A new firefighter's pension scheme is being introduced from April 2015 but we do not yet know how this will impact on employer contribution levels. Members of the current FPS and NFPS will move to the new Scheme although there will be protection arrangements for those close to retirement.
- 4.8.4 In 2013 Auto-Enrolment of pensions was introduced. This will mean that all new employees are automatically enrolled in one of our occupational pension schemes and will need to go through an opt-out process if they do not wish to be part of a Scheme. This could result in an increase in employer pension costs, particularly in relation to RDS staff. Currently 75% of RDS staff are members of the NFPS. If this were to increase to 85% a further £25k would be added to our employer costs.

4.9 Local Government Pension Scheme

- 4.9.1 Our corporate staff and staff who work in Fire Control are members of the local government pension scheme.
- 4.9.2 An independent review of the level of employer contribution to the scheme is carried out by the Scheme's actuaries, Hymans Robertson. The last triennial valuation of the Wiltshire Pension Fund as at March 2013 was undertaken and reported in September 2013. This showed the funding level of the Wiltshire Fire fund to be 75%, down from 78% at the March 2010 valuation. In order to recover the deficit, and assuming a 20 year recovery period, phased equivalent employer contribution rates (future service rate plus lump sum) would need to be 26.4% in 2014/15, rising by 1.5% each year, compared to the current rate (2013/14) of 20.9%, rising by 1% each year. In agreement with the Pensions Administrator and the Actuary, we have agreed, to the stabilisation policy adopted by them, to increase our equivalent rates to 21.3% in 2014/15 rising by 1% each year.

4.10 Medium Term Forecast

- 4.10.1 Table 4 shows how all of our projections total up and affect budget forecasts for 2014/15 to 2018/19.

Table 4: Revenue Budget 2014/15 to 2018/19

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Previous Years Budget	25,447	25,147	25,138	25,046	25,081
<i>adjustments for one-off items</i>	80	-80	0	0	0
Base Budget	25,527	25,067	25,138	25,046	25,081
<i>change in capital financing/leasing costs</i>	-79	-49	156	150	150
<i>staffing, pay and inflation adjustments</i>	210	336	687	300	300
<i>other adjustments/required savings</i>	-511	80	61	583	317
<i>required savings(use of balances)</i>		-296	-996	-998	-849
Estimated Service Budget	25,147	25,138	25,046	25,081	24,999
Contributions to/(from) reserves & balances	-296	-996	-998	-849	-717
Net Budget Requirement	24,851	24,142	24,048	24,232	24,282

4.10.2 As per Table 4 above, there are significant cumulative savings to be found over the period, namely:-

2014/15	£296k	Cumulative	£296m
2015/16	£996k	Cumulative	£1.296m
2016/17	£998k	Cumulative	£2.290m
2017/18	£849k	Cumulative	£3.139m
2018/19	£717k	Cumulative	£3.856m
Total	£3.856m		

4.10.3 We have also projected our total levels of funding for 2014/15 to 2018/19 based on the a number of different options for the level of Fire Precept Band D for 2014/15 and assuming that future increases are limited to less than 2%. How these relate to our overall budget requirement, and therefore whether there is a forecast surplus or deficit, is shown in Table 5 below.

Table 5: Total funding 2014/15 to 2018/19

Total Funding	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Net Revenue Budget (A)	25,147	25,546	26,512	27,371	28,138
Total Funding under Option 1 – 1.99% Fire Precept Band D increase (B)	-24,851	-24,254	-24,222	-24,232	-24,282
Surplus/Deficit(-) (A+B)	-296	-1,292	-2,290	-3,139	-3,856
Total Funding under Option 2 – 1.49% Fire Precept Band D increase (C)	-24,779	-24,103	-23,991	-23,915	-23,876
Surplus/(Deficit) (A+C)	-368	-1,443	-2,521	-3,456	-4,262

Total Funding under Option 3 – 0% Fire Precept Band D increase (D)	-24,721	-23,980	-23,476	-23,159	-22,870
Surplus/(Deficit) (A+D)	-426	-1,566	-3,036	-4,212	-5,268

4.10.4 The Authority was also mindful of the fact that there is a distinct possibility that the Government will seek to freeze the Precept Band D again in future years or that the local referendum limit for increases could well be less than the 2% we have assumed in our medium term projections above. Table 6 below shows what impact further Fire Precept Band D freezes in 2015/16 to 2018/19 would have had on each of the 3 options shown above.

Table 6: Total funding 2014/15 to 2018/19

Band D Freezes 2015/16-2018/19	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Option 1 – Original Surplus/(Deficit)	-296	-1,292	-2,290	-3,139	-3,856
Option 1 - Revised Surplus/(Deficit)	-296	-1,592	-2,900	-4,072	-5,125
Option 2 - Original Surplus/(Deficit)	-368	-1,443	-2,521	-3,456	-4,262
Option 2 - Revised Surplus/(Deficit)	-368	-1,665	-2,974	-4,147	-5,201
Option 3 - Original Surplus/(Deficit)	-426	-1,566	-3,036	-4,212	-5,268
Option 3 - Revised Surplus/(Deficit)	-426	-1,566	-3,036	-4,212	-5,268

5. Addressing the Future Funding Gap

5.1 Despite the Authority's excellent record in driving down costs and making savings, the Authority still faces significant financial pressures going forward, as the previous pages have identified. The Authority is managing its future funding gap through a Change Programme overseen by the Programme and Scrutiny Board and through joint working with other FRSs.

5.2 A programme of work centred on reducing costs, including options for sharing services, examining opportunities for income generation. The programme of work include:

- maximising the efficiency and resilience of our support arrangements, reviewing options for change as and when opportunities arise, and continuing to pursue opportunities for collaborative working or sharing services with other fire and rescue authorities.
- exploring the potential for trading opportunities to increase income to offset any detrimental changes.
- conducting a strategic review of investments contained within the capital programme to reduce long-term debt and improve organisational effectiveness and firefighter safety.

- implementing the Networked Fire Control Services Partnership and maximise financial savings and organisational effectiveness stemming from the project.
- maintaining and developing business cases and delivery plans associated with prioritised service delivery options.

- 5.3 The focus has very much been about collaborative working with Dorset Fire Authority. In December 2013 both Authorities considered reports from their Chief Fire Officers, which set out the need for a period of 'due diligence' to develop a business case that would identify savings and resilience improvements from a combination of the two authorities and their respective fire and rescue services. The final business case document will be considered by both Fire Authorities in September 2014.
- 5.4 The priority for both authorities is to protect the services that are provided to the public, but as individual relatively small fire and rescue services, this is becoming more and more difficult to sustain, with continued reductions in Government funding. In order to protect frontline services both Authorities have concluded that the best solution is for the two organisations to combine. By working together as one, more can be achieved; there will be opportunities to explore new ways of working that will deliver significant financial savings, make the new Authority more resilient and allow the Service to continue providing an efficient and effective Fire & Rescue Service to local communities.
- 5.5 Members of both authorities also approved the establishment of a Joint Command and Control Centre. This will be located at Wiltshire's headquarters, in the newly adapted purpose built facility, and provide fire control and mobilising services to both Services, through the sub-regional Networked Fire Control Services Partnership with our neighbours in Devon and Somerset FRS and Hampshire FRS.
- 5.6 Although much of our focus is now on joint working with Dorset FRS we continue to investigate new ways of working with other local partners. For example, we have and will continue to explore further opportunities for sharing properties with our Councils, the Police and the Ambulance Service.
- 5.7 The above outlines the Authority's funding revenue and capital position over the four year period 2014/15 to 2018/19 and clearly shows that the Authority has to address potential shortfalls in its finances.
- 5.8 The officers have considered the MTFs and have adopted the following action plan and Efficiency and Improvement Strategy.
- 5.9 **Action Plan**
- 5.9.1 The Management Board will lead the process of planning and implementing transformational changes, through the Strategic Transformation 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.

- 5.9.2 The Management Board will also provide the 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 set aside, identified from previous year's underspendings, establishing the 'Transformational Improvement Reserve' to assist in developing and implementing proposals arising from the Strategic Transformation Programme.
- 5.9.3 The Delivery Management Team has responsibility for the management of the day to day matters, and is charged with the task of reviewing departmental budgets and bringing forward to the Management Board details of potential savings and operational efficiencies.
- 5.9.4 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.
- 5.9.5 As part of the Strategic Transformation Programme there is a commitment to finding savings as a part of the efficiency review process. 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.
- 5.10 **Efficiency and Improvement Strategy**
- 5.10.1 The Strategic Transformation 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 was 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.
- 5.10.2 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.
- 5.10.3 **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.
- 5.10.4 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.

5.10.5 **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 Swindon, and where permissible service development;
- Embed the robust procurement strategy;
- Ensure effective use of resources is integrated into the organisation.

5.10.6 **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 further 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 through the Asset Management Strategy, 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

5.10.7 **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.

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

5.10.9 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.

5.10.10 **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’;
- ensure the efficiency and improvement agenda is embedded as an integral part of the Authority’s management framework.

5.10.11 **Management Board** – The role of Management Board is to:

- monitor the Efficiency and Improvement Strategy and any action plans arising;
- actively promote and support an efficiency and improvement driven culture within the Fire Authority;
- support the development of innovative methods to identify and achieve efficiency and improvement gains;
- promote collaborative working through existing and new partnership arrangements;

5.10.12 **Delivery Management Team (Senior Managers)** - Their role is to:

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

5.10.13 **Uniformed and Corporate Staff**- Their role is to:

- be aware of the efficiency and improvement agenda and taking into account of it within their normal roles;

- identify opportunities to provide efficiency and improvement gains for the benefit of the council tax payer and improving the Fire and Rescue Service.

6. Capital Programme

- 6.1.1 The capital programme covering 2013/14 to 2018/19 is shown in Table 7 below. The revised amounts shown for 2013/14 include projects carried forward from 2012/13 and in-year changes to the programme. The capital programme for 2014/15 totals £2.476m which includes £343k for projects carried forward from 2013/14.

Table 7: Capital Programme 2013/14 to 2016/17

	2013/14	2014/15	2015/16	2016/17
	Revised Budget	Original Budget	Original Budget	Original Budget
	£'000	£'000	£'000	£'000
Property/Estates - Minor Works	227	249	187	107
Property/Estates - Major Works	926	140	290	225
Vehicles	1253	1231	1804	1722
Equipment	287	146	0	0
Information Communication & Technology	936	710	212	156
TOTAL	3,629	2,476	2,493	2,210
Financed by				
Prudential Borrowing	-1468	-1155	-2362	-2,080
Direct Revenue Financing/Reserves	-1292	-452	-131	-130
Specific Grants	-869	-869	0	0
TOTAL	-3,629	-2,476	-2,493	-2,210

- 6.1.2 Table 7 above also shows the assumptions currently being made about financing the capital programme. For 2013/14 and 2014/15 it is planned that borrowing will be required to support a significant part of the capital programme, the cost of which has been built into the revenue budgets.
- 6.1.3 The anticipated annual revenue costs of supporting the capital programme are set out in the table 8 below. This includes current commitments to operating and finance lease rental payments arising from the vehicle replacement programme in earlier years and the costs of repaying external borrowing.
- 6.1.4 The costs of external borrowing have reduced as a result of additional grant funding from CLG in the form of Fire Capital Grant and some direct revenue financing. In 2014/15 we will be receiving £869k as a final allocation of Fire Capital Grant. The Spending Round 2013 announced in June that Fire Capital Grant was being replaced a Fire Efficiency Incentive Fund for 2015/16 and this will be allocated via a bidding process.

Table 8: Revenue costs of supporting the Capital Programme

	2013/14	2014/15	2015/16	2016/17
	Original Budget	Original Budget	Original Budget	Original Budget
	£'000	£'000	£'000	£'000
Operating Lease Rentals	515	515	303	242
Finance Lease Rentals	114	114	114	114
Cost of Borrowing				
- Minimum Revenue Provision	677	717	777	951
- Interest	261	242	245	289
TOTAL	1,567	1,479	1,375	1,596
Inc(+)/Dec(-) in Revenue Budget		-88	-104	221

7. Reserves and balances

7.1 Dorset Fire Authority became a precepting authority in April 2004 and since that time the Authority has been able to maintain separate reserves and balances to help deal with unexpected contingencies and specific risks that cannot be managed within the annual revenue budget, and to provide a working balance to help manage cash flow fluctuations arising from the normal business activities of the Authority. The Authority carries out an annual review of reserves as part of the budget setting cycle.

7.2 General Reserves

7.2.1 The Authority carries out an annual risk assessment of the level of general reserves, linked to our corporate risk register, and subject to external scrutiny by our external auditors. A policy was established to maintain general reserves and balances between £0.6m and £1.5m, which is considered prudent, at approximately 2.4% - 6% of the Authority's net budget requirement.

7.3 Earmarked Reserves

7.3.1 The Authority's also holds earmarked reserves, established to meet specific liabilities, and cannot be used but for their intended purpose.

7.3.2 Table 9 below shows a summary of the Authority's current earmarked reserves and indicative plans for their use over the next few years.

Table 9: Summary of Earmarked Reserves

Earmarked Reserve /Provisions	Opening Balance	Planned use in 2013/14	Planned use in 2014/15	Planned use in 2015/16	Planned use in 2016/17	Estimated Closing balance
	£'000	£'000	£'000	£'000	£'000	£'000
Hydrants	119	0	0	0	0	119
Ill Health	686	-21	-50	-50	-50	515
Insurance	50	0	0	0	0	50
Collaboration	295	-295	0	0	0	0
PTW (Compensation)	75	-75	0	0	0	0
PTW (Pensions)	1,000	0	0	-1,000	0	0
Transformation Improvement	2,000	-600	-1,000	-400	0	0
Mobile Data Terminals	28	-28	0	0	0	0
Community Safety Innovation	50	-10	-10	-10	-10	10
Breathing Apparatus Refresh	248	-248	0	0	0	0
Training	35	-35	0	0	0	0
Equipment	100	100	100	100	100	500
NFCSP	1,800	-687	-700	-150	-150	113
GRAND TOTAL	6,486	-1,899	-1,660	-1,510	-110	1,307

7.3.3 The reserve lines containing dedicated grant funding in respect of Part Time Workers (PTW) Pensions, Transformation Improvement and NFCSP (Network Fire Control Service Partnership) can be seen to be reducing quite dramatically over the period 2013/14 to 2016/17. This reflects the fact that this funding covers two significant change projects (both of which will be incurring significant levels of expenditure over this time period), plus a significant outstanding liability in respect of potential pension costs in relation to the on-call (retained) duty system staff being entitled to the same pension rights as wholetime staff.

8. Conclusion

8.1 To conclude, in the context of the local, regional and national fiscal economies, the next four to five years will bring significant financial challenges to the Service. The Strategic Transformation Programme, and the proposed combination with Dorset FRS has set the tone and established a significant foundation for the future service provision, and the Service will, amongst all this uncertainty and change around funding, continue to evolve within the constraints and pressures placed upon it.