



AGENDA ITEM: 7

NORTH WALES FIRE AND RESCUE AUTHORITY

19 December 2011

DRAFT BUDGET 2012-13

Report by Ken Finch, Treasurer

PURPOSE OF REPORT

- 1 To present to Members the draft budget for 2012-13 for approval.

INTRODUCTION

- 2 This report contains proposals to the Authority in respect of the draft budget for 2012-13, the forecasts for 2013-14 and 2014-15, and the papers attached set out the:-
 - (i) draft revenue budget (Appendix A);
 - (ii) provisional contributions required by the Constituent Authorities (Appendix B);
 - (iv) draft capital programme (Appendix C).
- 3 Presentation of the Budget in Best Value format, the Treasury Management Annual Strategy and the Prudential Indicators have not been included due to time constraints and will be presented to Members at a later date.

BACKGROUND

- 4 When the current Government came in to office one of its financial objectives was to reduce expenditure in the public sector year on year. The main funding for Local Authorities in Wales is the Revenue Support Grant (RSG) from the Welsh Government (WG) and funding for Fire Authorities is included with in the settlement. Within the North Wales area the Constituent Authorities had an

average reduction in their RSG settlement of 1.6% for 2011/12 and for 2012/13 an expected increase of 0.1% and 1.1% for 2013/14.

- 5 Given the financial position throughout Wales an extraordinary meeting of the Fire and Rescue Authority was held on 10 December 2010 to decide the level of reduction in the Authority's budget over the next three years and agree a strategy to achieve those reductions.
- 6 The preferred option was to match the overall decrease in the settlement and evenly spread the savings over the 3 years. This resulted in a reduction in the budget of 0.5% in year 1 and 2 and a standstill budget in year 3. Given that the known commitments would increase the budget by 2% in the first 2 years and then by 2.5% in year 3 the overall cash savings required over the 3 years is 2.45m, a reduction of 7.5%.

ACTUAL – 2010/11

- 7 The actual expenditure for 2010/11 is included in the first column of the appendix to aid comparison with the current and proposed budgets. However, as can be seen from the expenditure under supplies and services, in particular professional fees, for 2010/11 there is £435k expenditure the majority of which was one off spend that is not repeated in subsequent years. The majority of the expenditure relates to professional fees on the Wrexham project for sites that were considered but were not feasible. These costs have been treated as abortive costs and the capital programme was re-credited with the fees and the expenditure transferred to revenue as reported at the Executive Panel meeting in July 2011.

YEAR 1 SAVINGS – 2011/12

- 8 A comprehensive report on the progress towards budget savings was presented to Members of the Executive Panel on 21 November 2011. The savings target for year 1 was £802,000 and the areas affected were:-

- Front Line Fire Cover - Officer Cover Review £450,000
- Young Firefighters' event £12,000
- Discretionary Budget Lines £200,000
- Community Safety £50,000
- Support Services £90,000

9 The report detailed the measures that have been put in place to achieve the savings and current indications are that they will be realised but that it may be still too early to recognise any long term impact they may have on service provision.

BUDGET 2012/13

10 This is the second year of the 3 year strategy agreed by Members and the decision taken was to reduce the budget by 0.5%.

11 The starting point for the budget process is to factor in any known increases and these include known commitments such as the revenue funding for the capital programme based on expenditure that has already been incurred and unavoidable inflationary increases. No pay increase has been included for 2012/13 due to the pay freeze on public sector pay imposed by central government. The impact of the known commitments is to increase the budget by 2%.

12 To achieve the agreed budget reduction in 2012/13 the savings target is £815,000.

BUDGET 2013/14 and 2014/15

13 To aid with the planning process budgets for 2013/14 and 2014/15 are included in the report. 2013/14 is the third year of the agreed strategy and the target for year 3 is a standstill budget.

14 The known commitments have been factored in to the budgets for the next 2 years and include the increased revenue costs of capital based on the capital programme detailed in appendix C. Central government recently announced that public sector pay increases would be capped at 1% when the pay freeze ends, therefore 1% has been factored in for pay increases for the 2 years. The impact

of the known commitments has increased the budget by 2.5% in 2013/14 and 2.83% in 2014/15.

- 15 To achieve a standstill budget in 2013/14 the savings target is £835,000.
- 16 2014/15 is a new year in the planning process so no strategy has been agreed as yet as to whether it is prudent to plan for further savings in this year. If no savings are agreed given the known commitments the budget will increase by 2.83%.

YEAR 2 and 3 SAVINGS – 2012/13 and 2013/14

- 17 The savings target for 2012/13 is £815,000 and for 2013/14 £835,00.
- 18 In the strategy agreed by members up to £300,000 of the savings each year will come from reducing community safety activity, non-statutory duties and support staff posts together with anticipated retirements. As these savings have previously been identified it has enabled officers to put plans in place to achieve these savings.
- 19 Members agreed that the remaining savings, over £1m, would come from a reduction in expenditure to deliver fire cover and a corresponding reduction in the level of support.
- 20 A report was presented to Members of the Fire and Rescue Authority on 17 October 2011 detailing the options available to them for reducing front line fire cover - the options had been selected by Members of the Risk Reduction Working Group from a wider selection. The risks and challenges of each option were detailed in the report and Members were asked to agree the option recommended by the Executive Panel which was to make changes to the system of rostering of crews with any changes made by negotiated agreement. This option was chosen on the grounds that it would have the least impact on the service delivered to the public of North Wales.
- 21 Negotiations between officers and the representative bodies have now started and a number of meetings have already taken place.

Representatives from the FBU have been briefed as to the potential rostering options and have subsequently discussed these options with firefighters. Following these discussions the FBU have come back with alternative suggestions and these are currently being explored to see if they can be accommodated within the Authority's objectives.

- 22 Due to the time available it is not certain whether an agreement will be reached ready for introduction on the 1 April 2012. However, the provisional outturn report has identified a number of one off savings which will contribute towards an underspend in 2011/12. This underspend could be used to fund short term transitional costs as part of the introduction of a rostering system in 2012/13.

CONTRIBUTIONS

- 23 Appendix B sets out the provisional contributions for 2012-13 from the constituent authorities.
- 24 Previously the contributions from the Constituent Authorities were based on mid-year population estimates produced by the Registrar General for the preceding year. These were used by the Welsh Government (WG) as a basis for calculating the Standard Spending Assessment (SSA) for each Authority which is used for allocating Revenue Support Grant. In 2011/12 WG changed the basis of calculation from a mid-year population estimate to a projected estimate of population for the current year. The Constituent Authorities have been consulted and it was agreed that from 2012/13 a fairer basis for the allocation of the contribution from each authority would be in line with the basis used to calculate SSA, a projected estimate of population for 2012.
- 25 As can be seen from the contributions the change in the basis of the allocation has resulted in a disproportionate change in the contributions with some authorities gaining and others losing. However, as the new basis has been used to allocate RSG then those authorities with a larger population than previously who will see an increase in their contribution will have benefited from an increase in RSG to cover this.

CAPITAL PROGRAMME

- 26 The draft capital programme for 2012-13 is set out in Appendix C and amounts to £3.98m, of this spend £2.08m is for new schemes and £1.9m for schemes that were previously approved in either 2010-11 or 2011-12. The major building schemes detailed in the schedule were reported to Members of the Executive Panel on 21 November 2011. The purchase of new appliances and ancillary vehicles is ongoing as per the vehicle replacement programme. In 2011-12 the estimated outturn for capital expenditure is £5.3m and it is proposed to finance this from borrowing.

RECOMMENDATIONS

- 27 It is recommended that:
- (i) Members approve the draft budget for 2012/13;
 - (ii) Members confirm the strategy to be followed to achieve the savings in 2012/13 and 2013/14;
 - (iii) Members note the budget position for 2014/15;
 - (iv) Constituent Authorities be advised of the provisional contributions required for 2012/13;
 - (v) The draft capital programme for 2012/13 and associated methods of financing be approved;
 - (vi) If any changes transpire before 15 February 2011 a further meeting of the Fire and Rescue Authority will be convened to agree the changes.