



AGENDA ITEM: 6

NORTH WALES FIRE AND RESCUE AUTHORITY EXECUTIVE PANEL

21st September 2006

FIRE AND RESCUE SERVICE FUNDING

**Report by Dawn Docx,
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Purpose of Report

1. To inform Members of recent correspondence with the Welsh Assembly Government regarding possible alterations to the current funding arrangement of Fire and Rescue Authorities in Wales

Introduction

2. The Minister, Mrs Edwina Hart, wrote to the Chair of North Wales Fire and Rescue Authority on 12th June 2006. In her letter, Appendix 1, she asked for the Authority's opinion of the idea of limiting any annual increase in its budget to that of the increase in Revenue Support Grant (RSG) of its constituent unitary authorities.
3. The Chair replied thanking the Minister for the opportunity to discuss this proposal but explained that this matter would need to be brought to this meeting prior to the full Authority meeting on 23rd October. After that, the Authority would be in a position to respond in full.



Background

4. Presently Fire and Rescue Authorities (FRAs) in Wales are not precepting authorities, as is the case in England. Each year, each FRA works closely with their constituent authorities during the budget setting process to determine a prudent, but also locally acceptable, 'net expenses' calculation.

The current system allows locally elected representatives to determine the level of service their constituents will receive from their Fire and Rescue Service. Budgets are set locally with an understanding of the volatility of those costs that are demand led. They are driven by activity levels which can be difficult to accurately calculate, such as the recent accidental grass fires which increased expenditure on turnouts from £93,000 per month to £286,000. Prudent contingencies are built into the budget to meet such increase in costs without having to ask for supplementary levies from each unitary authority.

5. The Minister's proposals raise some interesting points and should be considered in the overall context of financing local government expenditure through the RSG settlement. Members will be familiar how this operates with regard to Constituent Authorities but it is something which has not previously arisen with individual service expenditure. The points below are some of those that seem appropriate to consider in relation to the proposals.
6. The proposal to limit budget increases to RSG increase appears to give an element of certainty but it also appears to affect local determination and, perhaps, increase central control of funding.

There would also be a question of which RSG figure is to be used as there could be several different alternatives. There could be consideration of an overall Wales average or the average applicable to the Constituent Authorities, both of which



Background *(continued)*

will be different because of the relevant components in the RSG settlement.

Members will also be familiar with some aspects of RSG settlements being “identified” in relation to specific services albeit the funding is not necessarily hypothecated. Similarly, settlements have contained “transfers in and out” related to specific services, which are intended to fund only those services. These complicating factors may result in an underlying increase at a lower level for Fire than the overall RSG increase, which would obviously influence deliberations during the budget process.

Another more recent development is the proposed introduction of 3 year RSG settlements. It would be appropriate to consider how this would relate to the Minister’s proposals.

7. Appendix 2 endeavours to demonstrate the difference between the all Wales RSG increase, the North Wales RSG increase and the agreed fire service budget for the last three years. The agreed budget has always exceeded the North Wales RSG due to a combination of unavoidable external budget pressures and locally agreed growth.

It is acknowledged that the NWFRA has its part to play in setting budgets which are affordable and deliver the level of service influenced by the wide range of factors, both local and national and including public expenditure constraints. It would seem necessary, therefore, to seek some further dialogue with the Minister and her officials and other parties such as the WLGA and, perhaps, other WAG officials to explore the practicalities and implications for the NWFRA.



Recommendation

8. 8.1 That Members express their general contentment for the current funding system.

8.2 That the Fire Authority authorises the Chief Fire Officer in conjunction with the Treasurer to take part in any dialogue required by the Minister to explore the wider implications of her proposals.



Appendix 2

Year	All Wales RSG Increase	North Wales RSG Increase	Increase in NWFA Budget	Main Budgetary Pressures
2004/05	2.22%	2.50%	6.12%	<ul style="list-style-type: none">• Pay award for operational employees• Increase in insurance premiums• Introduction of Members Allowance Scheme
2005/06	5.10%	3.73%	4.09%	<ul style="list-style-type: none">• Energy price increases• NNDR Review in Wales• £90K for Ordinance Survey Map licence, which was previously free
2006/07	5.10%	4.82%	5.00%	<ul style="list-style-type: none">• Increase in pension payments to cover the cost of increased pensioners• Fuel Price increases• Introduction of Assessment and Development Centre

