



AGENDA ITEM: 6

**NORTH WALES FIRE AND RESCUE AUTHORITY
EXECUTIVE PANEL**

27 October 2014

FIRE AND RESCUE AUTHORITY BUDGET 2015/16

Report by Simon Smith, Chief Fire Officer

Purpose of Report

- 1 Members are asked to consider the range of budget options contained in this report and provide advice on the way forward in preparation for the meeting of the Fire and Rescue Authority on 15 December 2014, when the Authority is required to set its budget for 2015/16.

Background

- 2 The Authority has, for the last four financial years, adopted a strategy of operating with a revenue budget frozen at the level agreed in 2010/11, £31.772 million. This strategy was adopted in response to the severe economic situation affecting the public sector from 2009 onwards.
- 3 The strategy has resulted in efficiency savings of £3 million over the four-year period, just short of 10% of the revenue budget. That level of saving has been achieved with minimal effect on the key services that the Authority provides i.e. firefighting response and preventative services. Appendix 1 clarifies the level of savings to date and the areas of activity where those efficiencies were made. Members are reminded that, last year, a decision was taken to underpin the 2014/15 revenue budget by using an £800K creditor sum from the Wrexham fire and ambulance station project together with £100k from a provision for increased interest rates plus £100k from the General Reserve. All of these enabled the Authority to freeze its budget for a fourth consecutive year. Staffing reductions throughout this period were made in accordance with Members' requirement that there should be no compulsory redundancies.

- 4 Earlier in 2014 the Authority received information in order to determine its financial strategy for the next five years. Indications were that there would be a budget shortfall of, approximately, a further £3.3 million between 2015/16 and 2019/20 given the expected pressures from general inflation and the agreed capital programme. This figure also assumed not only that pay inflation remained at around the existing 1% level but also continuation of the existing level of Welsh Government specific grants for community safety activities. Regrettably, on 30 September 2014, fire and rescue authority chairs in Wales were advised by the Minister for Public Services that the level of Community Fire Safety Grant in Wales for 2015 would be reduced by 52% in the case of revenue provision (£2.138 million reduced to £1.038 million) and by 50% in the case of capital grant (£1.339 million reduced to £0.670 million).
- 5 An additional risk, which is very difficult to budget adequately for, is the risk of sudden and unforeseen levels of operational activity occasioned by events such as an abnormally dry summer and/or extensive localised flooding. The only realistic way to mitigate events of this nature where no budget capacity exists is to issue an in-year supplementary levy on the local authorities.
- 6 The Authority's response to these pressures is contained in the 2015/16 Improvement Plan which is currently out to consultation.
- 7 Welsh Government expectations regarding the levels of fire and rescue authority funding in Wales are set out clearly (and quoted below) in the Project Charter document which is the basis for the current work Welsh Government officials are undertaking to review the Fire and Rescue National Framework.

"Local authorities, which are by far the largest source of FRA funding, have been relatively protected until now but have been asked to plan on the basis of 1.5% to 4.5% cuts in cash terms from 2015/16 onwards. FRAs must expect to bear at least a proportionate share of such cuts and - given the demand for many local authority services is rising markedly while the incidence of fire is generally falling - probably more."

- 8 The Authority is required to advise the six constituent local authorities of the provisional levy for 2015/16 by 31 December 2014. This provisional figure may be subject to modification but must be confirmed by no later than 15 February 2015. Normally, the Authority will agree the provisional budget at its December meeting (scheduled for December 15 this year) although it held a special budget meeting in 2013 outside of the normal meeting cycle which was, at that time, considered useful by both Members and officers.

Information

- 9 As indicated in paragraph 4 above, the Authority has considered its high level budget requirements up to financial year 2019/20. The Improvement Planning Working Group, consisting of members of the Executive Panel met to discuss the issue on 24 February, 31 March and 12 May. Reports detailing the outcome of the Working Group's deliberations were submitted to both the Executive Panel and the full Authority on 12 May and 16 June respectively.
- 10 In essence, Members were informed of a potential budget shortfall in the upcoming five-year period of approximately £3.3 million. The Chief Fire Officer advised that this shortfall was extremely unlikely to be met without an impact on front-line services given the level of efficiencies that had already been made in the preceding four years (Appendix 1 refers). Members were advised that savings of £3.3 million were the equivalent of 25% of the operational establishment and that this sum could only be achieved with the loss of significant numbers of the workforce, involving the closure of fire stations, the removal of fire appliances from locations across North Wales and a fundamental impact on the current levels of community safety work. The latter has contributed significantly to a reduction in demand for operational services in North Wales which is exemplified in Appendix 2. As stated above, it is the view of Welsh Government that this reduction in demand should be accompanied by a consequent reduction in resources.
- 11 In the Chief Fire Officer's opinion, the impact on front-line services of the projected savings would be disproportionate given the actual cash figures involved. Members concurred with this view and, as a result, decided to extend the timescale for the existing improvement

objective (which seeks to underwrite the level of funding of the Service to a maximum of the equivalent of £1 per head of the North Wales population in any one year) from three years to five. It is this objective that is currently the subject of a consultation exercise.

12 The formal consultation period closes on 9 January 2015 but briefing sessions have already taken place with local authorities to advise them of the current situation. The briefings were as follows:-

- 9 September 2014:- Presentation by the Chief Fire Officer and Deputy Chief Fire Officer to a full, public, meeting of Denbighshire County Council.
- 9 September 2014:- Presentation by the Chief Fire Officer and Deputy Chief Fire Officer to a private session of Flintshire County Council.
- 23 September 2014:- Presentation by the Chair, Chief Fire Officer and Deputy Chief Fire Officer to a specially arranged private workshop for Wrexham County Borough Council members.
- 24 September 2014:- Presentation by the Chief Fire Officer and Deputy Chief Fire Officer to an informal meeting of Gwynedd County Council's cabinet.
- 25 September 2014:- Presentation by the Chair, Chief Fire Officer and Deputy Chief Fire Officer to a public meeting of Anglesey County Council's Partnership and Regeneration Scrutiny Committee.
- 23 October 2014:- Presentation by the Chair, Chief Fire Officer and Assistant Chief Fire Officer Simmons to a specially arranged private workshop session for all members of Conwy County Borough Council.

13 It will be for each local authority to make its own individual response to the consultation but there was, obviously, feedback via questioning at each of the presentations, which was noted and is summarised in the following paragraphs.

Denbighshire County Council

14 Questions centred around the levels of risk in the County and the potential impact of service reductions on local communities. Officers are not aware of any decision which may have been taken by the Council regarding the Improvement Objective although the Chief Executive of Denbighshire has written to all Fire and Rescue Authority members expressing his strong opposition to the proposal.

Flintshire County Council

15 Officers noted a varying level of response to the presentation with some members being supportive of the Objective whilst others had some reservations, primarily in the context of the savings targets the Council was working to. Officers did not note any outright opposition to the proposal.

Wrexham County Borough Council

16 Officers were pleased to note a number of comments supportive of the work of the Service whilst taking on board the severe financial difficulties that face the Council. Once again, there was no outright opposition to the proposal from Council members though it must be borne in mind that the attendance was not 100% of the Council's membership.

Gwynedd County Council

17 This presentation was in a different context to the previous ones given that it was to the Council's cabinet. Thus, despite the low number of members in attendance, all leading members were involved. In addition, Fire and Rescue Authority members were invited to be present. Questioning broadly reflected that in previous sessions. Concerns were raised about the impact on rural communities of any service reductions. Cabinet members were anxious to be reassured that the Service had delivered or will deliver all possible efficiencies before any reduction in front line services.

Anglesey County Council

18 The presentation was to a comparatively small group of members and was, unfortunately, restricted due to agenda time constraints. The result was that there was less time for questions than in the previous sessions. Questioning, once again, was broadly of the same nature as with other councils. Members were anxious about the potential impact of service reductions at a time when there was significant development in Anglesey, most notably the Wylfa project.

Budget 2015/16 Options

19 The most pressing need facing the Authority at this time is to agree a budget for the next financial year. To summarise the issues facing the Authority:-

- The Authority has received advice that there is a predicted budget shortfall over the next five years of approximately £3.3 million. This is around 10% of the Authority's revenue budget.
- Savings totalling £3 million have already been delivered without affecting front-line services but it is extremely unlikely that this will be possible for the next tranche of savings.
- Notwithstanding the Authority's Improvement Objectives for 2015/16, and its proposal to maintain existing levels of service provision, Welsh Government's stance is clear that the Authority should make budget cuts in proportion to, or greater than, those being made by local government. The rationale for suggesting proportionally higher cuts is that the incidences of fire have been reduced. The Government's intent has already been highlighted by the reductions in specific grant referred to in paragraph 4 above.
- The provisional local government revenue settlement was published on 8 October 2014. The average reduction in Aggregate External Finance (AEF) for Wales is 3.5%. The average reduction as it applies to North Wales local authorities is 3.7%. Given the paragraph above, it could be that the expectation of Welsh Government for the North Wales Fire and

Rescue Authority is a reduction of at least 4% in 2015/16. A reduction in the revenue budget of 4% equates to approximately £1.27 million. Members are reminded that, unlike local authorities, the fire and rescue authorities in Wales are unable to raise council tax to mitigate the effects of their budget pressures.

- Members are also asked to note the information contained in Appendix 3 which details the total of fire and rescue funding for North Wales provided by Welsh Government for the financial years 2011/12 to 2014/15 inclusive. In addition, the appendix also advises of the provisional total for 2015/16 which is the same as that for 2014/15. Whilst the Treasurer's advice to the Authority has always been to treat these figures with caution, as they are more a mechanism to allocate grant than an indication of the need to spend, Members may wish to consider reducing the Authority's budget to this level, the implications of which are contained in Appendix 4.
- The position of the six constituent authorities in North Wales on potential reductions of this level is unclear at this time with the exception of Denbighshire County Council whose position seems to be against the proposed Improvement Objective.

20 Appendix 4 gives a selection of budget scenarios ranging from an 11.6% cut (i.e. reducing the budget to the level of Welsh Government grant in the AEF) to an increase in constituent councils' levy in line with the proposed Improvement Objective. In considering these scenarios, Members are asked to bear the following issues in mind:-

21 Members were issued with a budget options document in 2013 which detailed the full range of potential items that could reduce the budget, together with costs of the existing level of service. It can be clearly seen from this range of options that savings in one year of the magnitude of £1.27 million will be extremely difficult to achieve.

22 Not least among those difficulties is the time that will be taken to implement any agreed cut involving a reduction in the number of fire stations and/or fire appliances in North Wales. This not only requires a period of formal consultation but, on the assumption that any fire station closure or fire appliance reduction is likely to be met with

opposition from stakeholders and local communities, there is also the need to deal with any process issues that may arise. There is, therefore, a risk that any required savings may not be delivered in the financial year.

23 The position regarding the Authority's reserves is that the General Reserve (i.e. funds that can be used for unallocated purposes) stands at £1.7 million. The Treasurer advises that extreme caution should be used when contemplating use of the £1.7 million general reserve to underpin the budget as the effect is to increase budget pressures by that amount in the subsequent year. In addition, the Authority holds earmarked reserves and provisions for specific purposes such as pensions and equal pay settlements. These items total £2.5 million. Members are reminded that earmarked reserves and provisions cannot be used for anything other than their designated purpose.

24 Members will be aware from previous discussions, that there is no national scheme for voluntary redundancy of firefighters and that the Authority has no agreed policy on this matter.

Recommendations

25 That Members consider the range of options contained in this report and advise officers which, if any, the Panel recommends to the meeting of the Fire and Rescue Authority on 15 December 2014, when the Authority is required to set its budget.

26 That Members indicate whether or not they would wish to see a further meeting of the full Authority, specifically to discuss the budget issues, called on a date prior to 15 December.

BUDGET SAVINGS BETWEEN 2011/12 AND 2014/15

In summary, savings were applied across the whole Service, but in such a way that the impact on the public would be as low as possible.

In 2011/12 (Year 1)

- £200,000 cut from individual budget lines, discontinuing completely or scaling them down.
- £50,000 cut from the Community Fire Safety budget.
- £90,000 cut from the Support Staff budget.
- £460,000 cut from the Operational Management budget by reducing the number of officers.
- £30,000 cut from the Control budget by restructuring its staffing arrangements.

In 2012/13 (Year 2)

- Individual budget lines were again cut or scaled down, releasing a further £150,000.
- Another £50,000 cut from the Community Fire Safety budget.
- Another £90,000 cut from the Support Staff budget.
- £500,000 released from the Operational Firefighters' budget by changing the way shifts were rostered for duty, reducing the number of wholetime firefighters required by 10%.

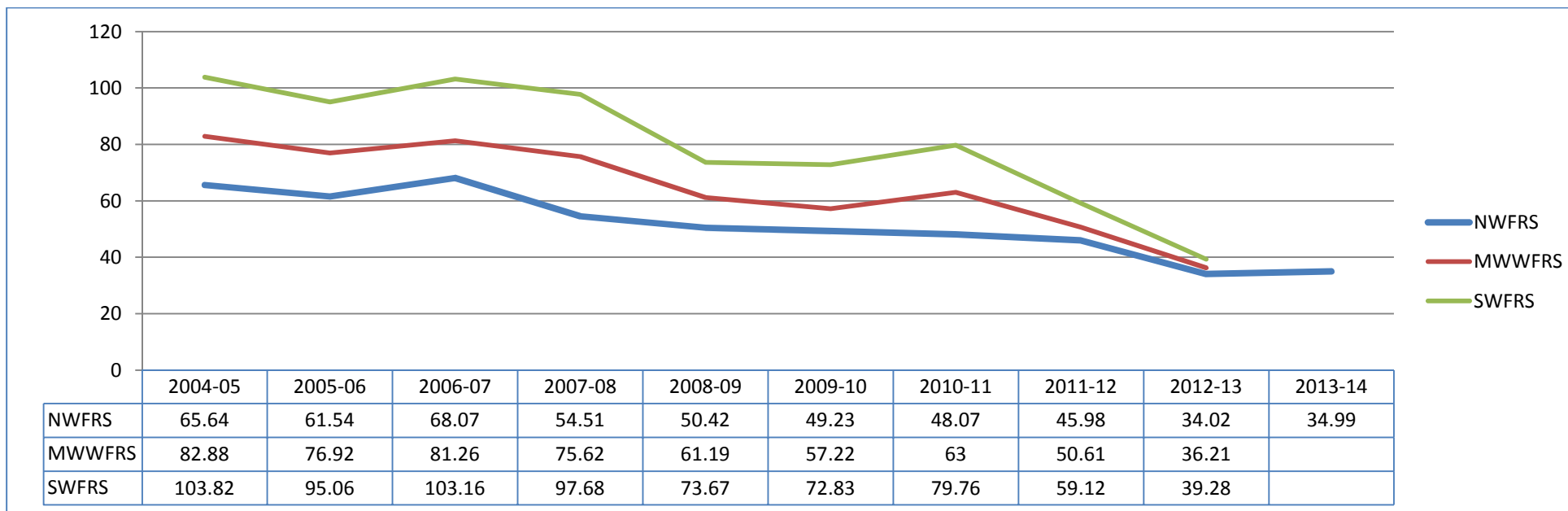
In 2013/14 (Year 3)

- Individual budget lines were cut or scaled down for a third time, releasing a further £70,000.
- Another £50,000 cut from the Community Fire Safety budget.
- Another £180,000 cut from the Support Staff budget.
- A further £500,000 released from the Operational Firefighters' budget, by changing the way shifts were rostered for duty (as above).

In 2014/15 (Year 4)

- A one off underpinning of the budget by using a creditor of £800,000 which was no longer needed and £100,000 from general reserves and £100,000 from a provision for an increase in interest rates.

Total fires per 10,000 population



Aggregate External Finance (AEF) Funding for Fire

	2011/12	2012/13	2013/14	2014/15	2015/16*
Anglesey	3,155,000	3,144,000	3,133,000	2,819,000	2,819,000
Gwynedd	5,416,000	5,390,000	5,365,000	4,935,000	4,935,000
Conwy	5,104,000	5,084,000	5,064,000	4,660,000	4,660,000
Denbighshire	4,479,000	4,477,000	4,475,000	3,841,000	3,841,000
Flintshire	6,843,000	6,809,000	6,775,000	6,196,000	6,196,000
Wrexham	6,145,000	6,141,000	6,137,000	5,636,000	5,636,000
	£31,142,000	£31,045,000	£30,949,000	£28,087,000	£28,087,000

* provisional figure

Funding Pressures

Unavoidable

Pay increase at 1%	£180k
General inflation on certain budget lines	£170k
Revenue effect of agreed capital programme	£400k
Total	£750k

Discretionary

Reduction in community safety grant funding (Revenue)	approx £257k
Reduction in community safety grant funding (Capital)	approx £230k
Reduce by 4% as per Welsh Government's expectations	£1.270m
Reduce to the level of the Aggregate External Finance funding (£31.772m - £28,087m)	£3.685m

Potential Alternatives to Fund the Above Options

Option	Value	Risk Level	Appliance Reduction	Station Closure	Compulsory Redundancy
Increase Levy by the equivalent of £1 per head of population	£690k	Medium-Low	No	No	No
Further reduce operational middle managers posts	Up to £500k	Medium-High	No	No	Yes
Reduction in attendance to automatic fire alarms	£50k	Low	No	No	No
No longer carry out non statutory duties	£35k	Medium (reputation)	No	No	No
Stop funding Firebrake Wales	£35k	Low	No	No	No
Closure of a Retained Duty System (RDS) station	£100k per station	Medium	Yes	Yes	Yes
Removal of a RDS appliance from wholetime/day crewed station	£74k per appliance	Medium	Yes	No	Yes
Removal of a wholetime appliance.	£1.2 m per appliance	High	Yes	No	Yes