



## **AGENDA ITEM: 14**

### **NORTH WALES FIRE AND RESCUE AUTHORITY**

**23<sup>rd</sup> October 2006**

### **FIRE AND RESCUE SERVICE FUNDING**

**Report by Dawn Docx,  
Assistant Chief Officer (Finance and Procurement)**

#### **Purpose of Report**

1. To seek the Authority's approval of the Executive Panel's recommendations regarding responding to 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 12<sup>th</sup> 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 discussed firstly by the Executive Panel and then by the full Authority at its meeting on 23<sup>rd</sup> 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.



## **Background** *(continued)*

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 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



## **Background** *(continued)*

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.

## **Information**

8. The Authority's Executive Panel met on 21<sup>st</sup> September to consider the Minister's letter and the terms of the Authority's response. During the meeting Panel members had the opportunity to read Mid and West Wales Fire and Rescue Authority's letter of response to the Minister, a copy of which is attached as Appendix 3 to this report.
9. Following its deliberation the Panel resolved to recommend to the Authority that it should respond to the Minister's letter "expressing its general contentment for the current funding system and rejecting her proposal to amend the Combination Orders so that the annual uplift in net expenses could not exceed the annual uplift in the Revenue Support Grant as determined annually by the Welsh Assembly Government."

## **Recommendation**

10. That members endorse the Executive Panel's decision and reply to the Minister's letter as per the terms of the resolution cited in paragraph 9.



## Appendix 2

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