

Edwina Hart AC/AM MBE  
Y Gweinidog dros Gyfiawnder Cymdeithasol ac Adfywio  
Minister for Social Justice and Regeneration

Atodiad 1/Appendix 1



Llywodraeth Cynulliad Cymru  
Welsh Assembly Government

Eich cyf/Your ref  
Ein cyf/Our ref MB/EH/0422/06

Cllr Trevor Roberts  
Chair  
North Wales Fire Authority  
Fire & Rescue Service Headquarters  
St Asaph Business Park  
St Asaph  
LL17 0JJ

12 June 2006

A handwritten signature in cursive script, appearing to read 'Edwina Hart'.

#### **FIRE AND RESCUE SERVICES BUDGETS**

I have been considering ways of providing more certainty for the budget setting process as between Fire and Rescue Services Authorities (FRAs) and unitary authorities.

As you well know I am not persuaded that FRAs in Wales should become precepting authorities, as is the case in England. In Wales, I do not believe a case has been made for such a change and neither is there much support for doing so from amongst local government generally. However, I am aware that the current position can, on occasions, give some cause for concern in local government because FRAs are free to set budgets that unitary authorities are obliged to meet. While I am confident that FRAs act responsibly in setting their budgets the way this is currently managed does give an element of uncertainty for unitary authorities when they are setting their own budgets.

In setting budgets unitary authorities take account of the revenue support grant (RSG) that is provided by the Assembly Government. The RSG includes an element for the FRA but RSG is nevertheless provided to unitary authorities on an unhypothecated basis. Therefore, when a unitary authority receives its RSG and then receives an increased bill for net expenses from its FRA it is for the unitary authority to adjust its spending (i.e. use of RSG) accordingly to accommodate the increased costs. Thus, there is a tension between, on the

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1NA

Ffôn \* Tel 029 2082 5111  
Ffacs \* Fax 029 2089 8131  
ps.edwina.hart@wales.gsi.gov.uk

one hand the ability of a FRA to increase net expenses unhindered whilst on the other hand the constituent unitary authorities being limited in the amount of spending they have available through RSG. Nevertheless, the unitary authorities have to set budgets to meet cost pressures for the delivery of the services they provide while at the same time having to meet FRA demands. All of this must be achieved within the overriding need to keep council tax increases down to a minimum level that is acceptable to the Assembly Government.

One option that is available to me to address this issue is to change the way that the Combination Orders are currently worded. In my view this is preferable to introducing precepting arrangements. Essentially the three Combination Orders are the same in terms of their substantive provisions. Each of the FRAs is financed via a Combined Fire Authority fund to which the constituent unitary authorities contribute. Part IV of each Combination Order deals with how the combined fire service fund is operated. Each FRA has to calculate its "net expenses" in respect of any particular year. Before 31 December in any year the FRA must submit to each constituent unitary authority an estimate of its net expenses for the next financial year. On 15 February in any year the FRA must give notice to each constituent unitary authority of the amount of the contribution to be paid by that authority in respect of the next financial year.

The Combination Orders also set out how "net expenses", as defined in the Orders, are to be calculated. Net expenses are the amount of expenditure in respect of a year (less all income) which is credited to the combined fire service fund in respect of that year (other than the contributions of the constituent unitary authorities). In calculating the net expenses the FRA may resolve to include such amount or amounts, as it considers appropriate with a view to minimising any upward revision of the estimate as to net expenses. There is some provision with regard to disagreement between the FRA and the constituent unitary authorities but other than the provision as to what constitutes net expenses there is nothing presently in the Combination Orders that puts any limitation on the net expenses which may be charged to the constituent unitary authorities. It is this aspect that I am seeking to address.

The proposal I should like you to consider is that the Combination Orders should be amended, in the same way for each Order, to ensure that the annual uplift in net expenses should not exceed the annual uplift in RSG as determined annually by the Assembly Government in its local government finance reports. Alternatively a link to a set percentage increase is also a possibility although, on balance, I would prefer the link to the uplift in RSG so that there is a clear link between the money that local government gets and that which the FRAs can secure from local government by way of net expenses (as referred to above).

In changing the Combination Orders as suggested I would also wish to add a provision that would allow me to permit percentage increases above that

specified in the amended Combination Orders in cases of, for example, disaster where it was essential for an FRA to raise additional money via net expenses. I would want to use that power sparingly but it would seem to be an appropriate mechanism for giving some room for manoeuvre for FRAs facing real problems where there was a need to allow them, exceptionally to look to set net expenses at a level higher than that permitted by the amended Combination Orders.

If you think that this will provide more certainty to both FRAs and unitary authorities then I will work up proposals in greater detail and consult more widely on the matter later in the year. In the meantime your early thoughts would be welcomed.

I have copied this letter to Derek Vaughan, Leader of the WLGA, so that he is aware of my thoughts in this area.

A handwritten signature in cursive script, appearing to be 'Derek Vaughan', written in black ink.