



## **AGENDA ITEM: 6**

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

**20<sup>th</sup> September 2010**

#### **BUDGET OPTIONS 2011/12**

**Report by Dawn Docx, Deputy Chief Fire Officer**

#### **Purpose of Report**

- 1 This report:
  - (i) advises Members of the current situation in respect of the 2011/12 budget; and
  - (ii) reports back to the Executive Panel on the meeting of the Panel's Budget Development Working Group which met on Tuesday 14<sup>th</sup> September 2010.

#### **Background**

- 2 At its meeting in July 2010, the Executive Panel decided that, because of the level of uncertainty around public sector funding and the need to decide and implement change in a fast moving environment, it was necessary for a Working Group of Executive Panel members to meet with officers to formulate a strategy and proposals for dealing with the budget for 2011/12. The Working Group consists of Councillors Frobisher (Denbighshire), Morris-Jones (Anglesey), W Roberts (Conwy), T Roberts (Gwynedd), Dunn (Flintshire) and Evans (Wrexham).
- 3 The situation as currently known, and as presented to Members on 14<sup>th</sup> September, is that the public sector across Wales is preparing for unprecedented reductions in funding across most of its areas of activity. The Fire and Rescue Service is not excluded from these reductions; in fact, in England, the Fire and Rescue Services are in the Government's "unprotected" category meaning that the level of reductions required by UK Ministers will be of a similar level to

those being planned for by Local Authorities. Although not formally notified to the Fire and Rescue Authorities in Wales at this time, budget assumptions have been made on the basis that the Service in Wales also will not receive any form of Government protection. The national picture should become clearer in mid October following publication of the Government's Comprehensive Spending Review but, whatever the outcome of that review, it is obvious that there are significant challenges ahead for the Authority.

## **Information**

- 4 The North Wales Fire and Rescue Service's 2010/11 revenue budget is £32.1million.
  - 75% (£24 million) of the Service's budget is made up of direct employee costs and training;
  - A further 7.8% (£2.5 million) of the budget is spent on capital financing;
  - The remainder is spent on:
    - premises (£1.2 million/3.75%);
    - transport costs including fuel (£1 million/3.1%);
    - supplies including uniform (£1 million/3.1%);
    - Information Communications Technology (£1.5 million/ 4.7%);
    - external contracts (£1 million/3.1%).
  
- 5 It is understood that some local authorities are planning for reductions in the medium term (3-5 years) of up to 25% of their 2010/11 budgets. A similar target for the Service's budget would require reducing to £24 million i.e. the amount currently spent on direct employee costs alone. A requirement to reduce the budget to £24 million, over whatever period, would clearly, therefore, require significant reductions in employee costs.
  
- 6 The Budget Development Working Group received information on the current budget position in respect of both Capital and Revenue expenditure together with a briefing on the impact of significant budget reductions on the profile of the Service. What was abundantly clear was that even a budget frozen at £32.1 million would present some serious challenges given the external pressures on the budget such as fuel and energy costs; the increasing costs of capital financing to meet commitments; uncertainties around pay and the cost of externally imposed initiatives such as Firelink and New Dimensions.

- 7 Other scenarios were discussed together with their potential impact and the following conclusions were reached:
- 8 Depending on the actual levels of budget reduction required, it is clear that there is a strong likelihood of staffing reductions, service reductions or termination and a decline in non-statutory activity. It is unlikely that, in some scenarios, the required reductions could be achieved through natural wastage alone.
- 9 Given that the six North Wales Local Authorities' contributions to spending on the Fire and Rescue represent an average of 2.8% of their budgets, there is the potential for a direct read-across of percentage savings resulting in a disproportionate impact on the Fire and Rescue Service (see appendix 1).
- 10 Members of the Working Group asked officers, subject to the approval of the Treasurer, to draw up proposals for a reduction in the Service's budget of 6% over three years commencing with 2011/12. The scenario will mean reducing the Service's revenue budget by £1.92 million.
- 11 Officers are currently developing that scenario with the intention of discussing it with the Working Group at its meeting on 8<sup>th</sup> October 2010.
- 12 The Treasurer subsequently advised that this proposal may be too optimistic and that Members should take due note of the situations in their own local authorities affecting a diverse range of services.

### **Recommendation**

- 13 That Members note the information provided and that a further report will be presented at the next meeting in November.

**Fire and Rescue Service levy as a proportion of constituent authorities' budgets**

<b>Constituent Authorities' Budgets</b>	<b>2010/11 Total Budget</b>	<b>2010/11 FS Contribution</b>	<b>%</b>
	<b>£</b>	<b>£</b>	
Conwy	186,914,000	5,280,536	2.83%
Denbighshire	175,626,000	4,601,610	2.62%
Flintshire	240,407,500	7,119,294	2.96%
Gwynedd	216,700,000	5,572,851	2.57%
Wrexham	208,296,174	6,265,922	3.01%
Anglesey	118,900,000	3,253,187	2.74%
<b>ACTUAL TOTAL</b>	<b>1,146,843,674</b>	<b>32,093,400</b>	<b>2.80%</b>
<b>Example: a reduction of 0.3% means a reduction of £3,400,000 10.5 of FRS budget</b>	1,146,843,674	28,671,092	2.50%