



AGENDA ITEM: 6

NORTH WALES FIRE AND RESCUE AUTHORITY EXECUTIVE PANEL

28th October 2013

BUDGET OPTIONS 2014-15

Report by Dawn Docx, Deputy Chief Fire Officer

Purpose of Report

- 1 To update members of the Executive Panel on the progress made in developing the Fire and Rescue Authority's draft budget for 2014-15.

Background

- 2 At the last Fire and Rescue Authority meeting on the 16th September 2013, Members agreed to endorse the Authority's draft improvement objectives for 2014-15 to go out to public consultation. The second of these objectives sets out a proposed financial strategy on which the Authority could base its next medium term financial plan. The proposal is:

"To implement a 3-year financial plan for 2014-15 to 2016-17 that funds the current level of service, but that aims to limit the cost of doing so to the equivalent of an extra £1 per year, per head of population."

- 3 Members will recall that this follows a frozen budget for the last three financial years which has required total savings of £2.4 million to be made. This period has seen the workforce, including managers, firefighters, community safety and support staff reduce by an overall 9%. Despite these reductions, the Authority continues to successfully deliver against its objectives, for example managing to deliver over 22,200 home fire

safety checks in 2012-13. Contrast this total with the Hereford and Worcester FRS which, according to its recent consultation document, delivered approximately 4,800 home fire safety checks in 2012.

Information

- 4 On the 16th October 2013 the Welsh Government issued its provisional local government revenue and capital settlement for 2014-15. Overall, the funding available represented a decrease of 3.5% or £153 million on the 2013-14 settlement for local government, once an adjustment is made for transfers. This decrease, coupled with the adjustment for the change in mid-year population estimates based on the 2011 census, has resulted in a reduction in the funding of the constituent councils in North Wales of between 3.5% and 4.6%. This can be expressed as an average reduction of 3.6% in 2014-15 and 1.6% for 2015-16.
- 5 Advice from the Authority's Treasurer is that the real effect on revenue budgets will be greater because the calculations referred to in paragraph 4 do not include the impact of inflation nor adjustments to reflect the treatment by Welsh Government of grants moving in to the Settlement nor the fact that certain budget items such as the schools budget is ring-fenced. Therefore, it could be argued that in real terms the cut is in the order of 6.5%. Local authorities will be able to offset some of this by increasing their council tax. However it is the opinion of the Treasurer that local authorities in North Wales will be expecting the Fire and Rescue Authority to shadow the level of percentage reductions facing the non-protected parts of local authority budgets. The Treasurer will explain in further detail the expectations of the local authorities at today's meeting.
- 6 Through the work undertaken by the Improvement Planning Working Group, Members have already concluded that any further significant savings can no longer be found in either budget line reductions or support costs and that any further large scale savings would have to be found from reductions in service provision. A reduction of 6.5% is the equivalent of nearly £3 million. As members are already aware, a saving of £1 million alone equates to the removal of one wholetime fire appliance (and

28 wholetime firefighter posts) or 8 retained duty system (RDS) appliances and anything up to 100 associated jobs (where there is no station closure involved) or 7 RDS stations across the North Wales area. To save £3 million would, broadly, require all of the above to be implemented.

- 7 Members will also be aware that costs have already been reduced through a substantial restructuring exercise in 2012 which resulted in the loss of 20% of the operational managerial establishment; a reduction of 22 firefighter posts as a result of the rostering arrangements introduced in 2012-13 together with a further 12 wholetime firefighter posts related to the removal of dedicated Aerial Ladder Platform (ALP) crews. In addition, the support staff establishment has been progressively reduced by approximately £180,000 since 2011.
- 8 If Members wished, in light of the local government revenue settlement, to revise their decision regarding the improvement objectives for 2014-15, the timescales involved would not allow for the statutory consultation with all stakeholders to take place to enable these Service reductions to be made in 2014-15. If this option is considered it is more realistic to seek to deliver any budget reductions in 2015-16.

Risks and Opportunities

- 9 As always with budget setting the main risks to the Authority are around the prospect of a higher than anticipated pay award being granted, increased activity levels, the reduction or removal of direct grants from the Welsh Government and the outcome of the provisional local government settlement from the Welsh Government.
- 10 Although the effect of the first three of those risks will not be known until 2014, we are now aware of the impact of the local government settlement. In preparation for this, officers have been working to see if there is a short term opportunity to reduce the budget for 2014-15 leaving Members time, should they wish to do so, to consider any service reductions for 2015-16.

- 11 One opportunity presents itself now that the decision has been made to continue with the joint fire and ambulance station at Wrexham. This will allow the £800,000 creditor, which was in the revenue accounts for 2012-13, to be reversed and, along with the £100,000 provision for increased interest rates and £100,000 from the general reserve, this could be used to underpin the budget for 2014-15 by £1 million, a reduction of 3%. The risk associated with this action is that the Authority would need to make £1 million of savings the following year before any additional savings required to meet pay and price inflation, just to stand still.
- 12 Members should also be aware that productive discussions have already commenced with the representative body around more flexible working arrangements with the long term aim of reducing costs whilst maximising operational availability. Some aspects of this work are already being piloted in the current financial year but the success or otherwise of this project will not become clear for ten months at least. Additionally, whilst this work is expected to deliver savings to the Authority, it is not expected to realise anywhere near the level of cash savings referred to in paragraphs 3-6.
- 13 There may be a need to reconvene an additional Fire and Rescue Authority meeting to consider the recommendations of the Executive Panel.

Recommendations

- 14 Members are requested to:
 - (i) note the risks around setting a balanced budget for 2013-14;
 - (ii) confirm that they wish to recommend to the Authority that the 2014-15 budget to be constructed on the basis of the current level of service provision;
 - (iii) decide whether to recommend that the Authority underpins the 2014-15 budget with £1 million (sourced as referred to in paragraph 11), taking into account that this is for one year only and the risks that it then creates for the 2015-16 budget.