

Report to	Executive Panel
Date	23 October 2017
Lead Officer	Deputy Chief Fire Officer
Contact Officer	Dawn Docx
Subject	Budget Options 2018-19



PURPOSE OF REPORT

- 1 To update Members on the progress made in developing the Fire and Rescue Authority's draft revenue budget for 2018-19.

EXECUTIVE SUMMARY

- 2 In constructing the Authority's draft revenue budget for 2018-19 there are a number of unknown factors which make it difficult to calculate the budget requirement for next year. This paper outlines those uncertainties and suggests a means to fund the current level of service provision, in the short term.

RECOMMENDATIONS

- 3 That Members:
 - (i) note the assumptions upon which the draft revenue budget has been set for 2018-19;
 - (ii) confirm that they wish to recommend to the Authority that the 2018-19 budget be constructed on the basis of the current level of service provision;
 - (iii) recommend to the meeting of the Fire and Rescue Authority in December 2017 that, in line with the three year financial strategy, it approves the use of reserves to underpin the budget for one more year and/or approves an increase in the contributions of the constituent councils for 2018-19.

BACKGROUND

- 4 In order to contribute to the austerity measures across the whole of the public sector, North Wales Fire and Rescue Authority decided to freeze its budget from 2011-12 until 2014-15. In 2015-16, there was a very small increase in the region of a £113k and in 2016-17 the Authority used reserves to once again freeze the budget. During this period North Wales Fire and Rescue Authority had to find £3 million savings (10% of its budget) and saw its workforce, including managers, firefighters, community safety and support staff, reduce by 9%. Statistics for 2015-16 published on StatsWales show a sharper decrease in staff numbers in North Wales FRS than in Mid and West and South Wales FRSs.

- 5 Members realised that it was becoming unsustainable to continue to try to freeze the Authority's budget and therefore, at the Fire and Rescue Authority meeting on the 20 March 2017, Members agreed to endorse the Authority's draft improvement objectives for 2017-18. The second of these objectives sets out a suggested financial strategy on which the Authority could base its next medium term financial plan. The proposal was that:

"To secure the Authority's financial sustainability by adopting a 3-year financial strategy that combines the use of reserves, increasing financial contributions and making service reductions."

- 6 In 2017-18, the first year of this strategy, the previous Fire and Rescue Authority had agreed to increase the financial contributions from the constituent Authorities by £ 1.28 million. This was the first significant increase since 2010. However this was less than was required to meet increasing pay, price and capital funding costs. It was therefore decided to underpin the 2017-18 budget with an additional £414,000 from reserves and to revisit the requirement for the additional 1.2% in 2018-19.

INFORMATION

- 7 It is anticipated that the Welsh Government will issue its provisional local government revenue and capital settlement for the 2018-19 year on the 10 October, following a draft budget being presented on the 3 October 2017. At the time of writing this paper it is not known what the draft provisional settlement will be. Some indications on Welsh Government's approach to public sector funding have been given in ministerial statements during early October but the full position is still somewhat unclear. The treasurer will provide a verbal update at the Executive Panel meeting.

RISKS AND OPPORTUNITIES

- 8 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.

- 9 All of these are currently unknown. What makes the calculation all the more difficult is the ongoing pay negotiations between the National Joint Council (NJC) and the Fire Brigades Union. The pay award for 2017-18 has not yet been agreed. The original offer of 2% exceeded the amount in the 2017-18 budget by 1% (approximately £100,000). However this has subsequently been rejected so we have had to assume an increase of 1% for 2017-18 and a further 1% for 2018-19. This assumption brings with it the risk that the settlement in both years may be far in excess of 1%.
- 10 The current estimate of the difference between the cost of a continuation budget and the current budget is an increase of £1.3 million which includes the £414,000 underpinning, which needs to be found.
- 11 There is the opportunity of contributing some £526,000 towards the cost pressures by the changes to the Minimum Revenue Provision (MRP), which is the subject of a separate paper to this meeting. This could save £360,000 pa. In addition the contract for insurances was renegotiated this year and this produced savings in the region of £120,000 and the payment of the Local Government Pension Scheme deficit in advance saved £46,000 per year for the next three years. The possibility of using reserves again to underpin the budget for 2018-19 is limited given the current level of general reserves of £2.15 million. Members are reminded of the risk associated with this strategy, as the Authority would need to make those savings the following year before any additional savings required to meet pay and price inflation.
- 12 It is prudent to remind Members that there will be greater financial challenges facing the Authority in 2019-2020 arising out of the pension revaluation and the transitional arrangements to the new national communication system. As the quantity of these cost pressures is currently unknown, they will have to be addressed during the 2019-2020 budget setting process.

IMPLICATIONS

Wellbeing Objectives	The budget enables the Authority to achieve its long-term well-being objectives which are: To support people to prevent accidental dwelling fires and stay safe if they do occur; To facilitate high quality, responsive and better integrated fire and rescue services so that prevention activity and emergency response can continue to be available when and where required, affordably, equitably and on the basis of risk.
Budget	The current estimate as to the difference between the existing budget and the requirement for 2018-19 is £1.3 million.
Legal	The Fire and Rescue Authority has a legal duty to set a balanced revenue budget.
Staffing	None.
Equalities/Human Rights/ Welsh Language	None.
Risks	That the pay award for firefighters is agreed at above 1% for 2017-18 and 2018-19. Risk of increase in activity levels and the removal or reduction of direct grants from the Welsh Government.