



AGENDA ITEM: 10

NORTH WALES FIRE AND RESCUE AUTHORITY EXECUTIVE PANEL

24th September 2007

Budget Detail for 2008/09

**Report by Dawn Docx
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Purpose of Report

- 1.** To provide further information regarding the pressures on the Authority's revenue budget and to give more detail of areas of the service where efficiencies might be made.
- 2.** Comment will also be made about the revenue support grant (RSG) settlement for 2008/09 onwards.

Background

- 3.** A paper was presented at the last Executive Panel meeting setting the scene for the 2008/09 budget. It set out some of the financial pressures that the Service faces in the short to medium term. Members expressed a wish for further information regarding the revenue budget to be provided in a subsequent paper.
- 4.** The starting point for next year's budget is the 2007/08 revenue budget of £29.5 million. Members will recall that this budget did not include any inflation for non-pay lines. This was, in effect, a cut of 2.5% across all supplies and services at a time in particular of rapidly rising fuel and energy costs.



Detail

5. The budget of £29.5 million is made up of

	£ million	% of budget	No. of Staff	Full time equivalents
Wholetime firefighters and officers	15	51%	298	298
Firefighters on retained duty system	4.7	16%	578	540
Control staff	1.0	3.4%	31	31
Support staff	2.2	7.4%	118	106
Training	0.3	1%		
Premises costs – running costs	1.0	3.4%		
Transport costs – running costs	1.0	3.4%		
Supplies and Services (including Committee Services)	2.3	7.7%		
Funding capital	2.0	6.7%		

Employee costs

6. As can be seen above, the vast majority of the budget is made up of employee costs and because of this the number of posts needed to provide the Service is constantly under review. Formal staffing reviews have taken place over the last four years, this started with a review into the principal officer team in 2001 which reduced two of the posts to one ACO post and a review into officers in 2003 prior to the restructure in 2004. In 2004 a major review into ICT support and staffing was undertaken and an external review and business case was developed for an in house communications team in 2005. One of the proposals in the current draft Risk Reduction Plan is to carry out a further review into officer cover. Lastly a review of the Human Resources function is about to commence, as is an All Wales review into fleet provision and maintenance.



Employee costs (*continued*)

- 7.** On a day to day basis, whenever a vacancy arises it is reviewed by the Chief Fire Officer and a decision made as to whether it should be replaced, or the resources moved to another area of the Service. A recent example was the decision not to replace a managerial post but to use the funding to appoint two front line posts.
- 8.** All new posts have to be funded from efficiencies or by restructuring departments. For example, this year a much needed post in health and safety, which had been a one person department, was funded by reducing stock levels within stores and an extra mechanic was funded by reducing the amount of work sub contracted to external contractors.
- 9.** The range of Support services required to assist front line staff deliver public services has become more complex over the last ten years and all public bodies are audited and scrutinised by external agencies far more than they were in the past. In line with other Fire and Rescue Services, North Wales has met this challenge by employing specialists in HR, IT and finance and employees on Green Book conditions to provide administrative support. It also contracts out some support services via SLAs with its unitary authorities.
- 10.** As an organisation, North Wales Fire and Rescue Service employs approximately the same ratio of support staff to operational employees as the other two Fire and Rescue Services in Wales.

Fire and Rescue Service	No. of Support Staff	No. of Operational Staff	Ratio
North Wales	106	442	0.23
Mid and West Wales	147	622	0.23
South Wales	259	1108	0.24



Employee costs (*continued*)

- 11.** A number of key responsibilities are carried out by single or two people departments, such as Equality and Diversity, Payroll, Health and Safety, Committee Services and New Dimensions

Training

- 12.** North Wales Fire & Rescue Service currently utilises the Fire Service College (FSC) for operational incident command development & assessment and core Fire Safety development courses. These two areas are currently the FSC strengths, indeed the incident ground facilities at the college are second to none and provide an extremely realistic environment for development of NWFRS staff to safely and effectively manage operational incidents within our service area. The recent report into the deaths of two Fire fighters in Hertfordshire re-emphasizes why we as an organisation need to continue to invest at least at current levels to develop and maintain competencies in this risk critical area.

Premises

- 13.** Running costs of premises could be reduced in the medium term by closing fire stations. This has to be done through the Risk Reduction Plan (RRP) process. As there is a need to consult with trade unions and local communities, this process could take three years before savings would be forthcoming.

Example: running cost of a retained station £12,000 p.a.

Example: running cost of a wholetime day crewed station £50,000 p.a.



Appliances and Vehicles

- 14.** Appliances are bought through capital but maintained through the revenue budget. The decision to alter the number and type of appliances is also subject to the RRP process. Consideration has been given to the benefit of extending the life of appliances, currently 15 years and light vehicles which are between 5 and 7 years. This would only allow the replacement programme to be suspended for 2 years and has to be balanced against increased leasing, repair and maintenance costs.

Supplies and Services

- 15.** All supplies and services were effectively subject to a 2.5% cut last year due to the fact that it was a stand still budget. Because of the pressures facing the budget, it has been decided to freeze these budgets lines for another year, making cumulative efficiency savings of 4.55% over two years. We are also examining how we can procure more effectively and efficiently through Value Wales and Firebuy.

Other Efficiencies

- 16.** Following further work and in consultation with the Treasurer, some of the pressures described in the previous paper could be offset by the following efficiencies.
- **By borrowing money** required for capital 3 years in advance and putting this on deposit, this could generate £180,000 p.a. with little risk to the Authority. This could be used to meet the increase in the Local Government Pension Scheme and additional legal costs.



Other Efficiencies *(continued)*

- **Ill Health Pensions** – having followed the guidance for the new pension scheme £333,000 was put into the budget to meet year 1 of 3, ill health retirements. This was supposed to fund 2 upper tier (firefighters who are unfit to find any alternative employment) and 2 lower tier (not fit to be a firefighter, but able to do other work) ill health retirements. Over the last five years the average in North Wales Fire and Rescue Service has been 3 ill health retirements per year. Prior to 2007 ill health retirements were not classified as upper or lower tier retirements. The decision has been taken not to reduce the base budget but equally not to increase it for 2008/09. Should any ill health retirements occur they could be met for one year from the existing ill health pension reserve.
- **Maintain but not increase number of RDS employees** - historically North Wales Fire and Rescue Service has been unable to recruit up to the full establishment figure for Retained Duty System (RDS) staff. If we reduce the budget down to the current FTE level that we employ, ensuring that any leavers are replaced, the pay pressure could be reduced by £200,000. However, if we have a large number of turnouts due to flood and fire, we will have no "safety net" to meet these costs.
- **Assume a 2.0% pay rise for 2008/09** – Keeping in mind that operational staff received a 2.4% pay award this year and the likelihood that public sector pay rises will be limited to about 2.0% for the next two years. The previous paper used 3% to calculate pay inflation. For every 1% above that figure the Authority would need to find an additional £250,000.



17. Efficiency Options

- **Employers contribution to Retained Duty System pension scheme**

This year all employees on the Retained Duty System (RDS) were given the opportunity to join the new firefighters' pension scheme (NFPS) Of the 590 Staff employed by North Wales Fire & Rescue Service 120 decided to join.

It could be prudent to make a provision for 50% of all RDS staff to join the scheme, based upon the national take up of the scheme. This would require an increase of £357,000 in the budget.

However as the ability to join the pension scheme has been open and publicised since 1 April 07, Members may believe that those who wish to join the scheme will have already done so and that an increase of £148,000 would be sufficient to fund the 120 RDS employees who have opted into the pension scheme.

- **Community Safety**

Fire and Rescue Authorities now have the statutory duty to promote community safety and as part of its draft Risk Reduction Plan North Wales Fire & Rescue Authority aims to deliver 30,000 home safety checks per year. This is to ensure that every household in North Wales receives a home safety check within 9 years. This is currently being delivered with the assistance of £200,000 grant funding from WAG. WAG needs to clarify the long term future of these grants and identify if they are going to be passed into the RSG. Delivery of this level of home safety checks is being carried out by diverting resources from other areas of the service, which is not sustainable.



Community Safety (*continued*)

Community Safety could be funded to whatever level the Authority decides, with the corresponding increase in safety. There is the option of not funding any increase in this work. In that case activity levels would revert back to below 10,000 home safety checks per year achieved in 2005/06, with the possibility of the recent rate of fire deaths also being maintained.

18. Future Pressures

There still remains a number of yet unquantifiable cost pressures which will need to be addressed in 2009/10 and beyond. The cost of the replacement radio system *Firelink* and the cost of replacement of personal protective equipment through the integrated clothing project or by some other means.

Clearly members would wish to take into account the future RSG settlements for 2008/09 and beyond, which will be part of a three year settlement. The Comprehensive Spending Review will not be as generous as it has been in the past and this will affect all the public sector. Indications are that in Wales settlements may be in the region of 2%-2.5% which may well include any new initiatives.

To summarise, by making efficiencies and managing some of the cost pressures choosing the lower option for RDS pensions and the full amount for community safety, then the increase in budget required would be £ 1.27 million which is a 4.29% increase.

For every 1% below that increase, £300,000 of savings must be found.



19. Recommendations

That members note the contents of this report.