



AGENDA ITEM: 6

NORTH WALES FIRE AND RESCUE AUTHORITY EXECUTIVE PANEL

24 October 2016

BUDGET OPTIONS 2017-18

Report by Dawn Docx, Deputy Chief Fire Officer

Purpose of Report

- 1 To update Members on the progress made in developing the Fire and Rescue Authority's draft revenue budget for 2017-18.

Background

- 2 At the Fire and Rescue Authority meeting on the 20 June 2016, Members agreed to endorse the Authority's draft improvement objectives for 2017-18 to go out to public consultation. 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 is that the Authority should replace its current improvement objective:

"Recognising the anticipated reduction in local government funding, the Authority will develop a 3 year financial strategy in which freezing the budget will be a central principle."

with the following:

"The Authority will adopt a three-year financial strategy that combines the use of reserves, an increase in financial contributions and service reductions."

- 3 Presentations around financial pressures and funding prospects were made to members at the Improvement Planning Working Group (IPWG) on 14 March, 11 April and 25 April 2016 and to the Audit Committee on 6 June 2016. In these meetings there were extensive discussions around the cost pressures and how to close the projected budget gap of £2.3 million over the next three years. Members are aware that this is made all the more difficult because the Authority has already frozen its budget from 2011-12 until 2014-15. 2015-16 saw a very small increase in the region of a £113k and 2016-17 used reserves to once again freeze the budget. During this period the Authority has had to find £3 million savings and has seen its workforce, including managers, firefighters, community safety and support staff, reduce by 9%. Recent 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.

Information

- 4 It is anticipated that the Welsh Government will issue its provisional local government revenue and capital settlement for the next year on the 19th October, following a draft budget being presented on the 18th October. At the time of writing this paper it was 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 interim treasurer will provide a verbal update at the Executive Panel meeting.
- 5 Through the work undertaken by the IPWG, 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.
- 6 As members are already aware, a saving of £1 million alone equates to the removal of either one wholetime fire appliance (and 24 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 8 - 10 RDS stations across the North Wales area.

- 7 Members should also be aware that if they wished, in light of the local government revenue settlement, to revise their decision regarding the improvement objectives for 2017-18, the timescales involved would not allow for the statutory consultation with all stakeholders to take place to enable service reductions to be made in 2017-18. If service reduction is necessary then it is more realistic to seek to deliver this in 2019-20, as exemplified in the public consultation.

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 we can estimate is the difference between the cost of a continuation budget and a frozen budget. In order to fund increased employee costs because of an anticipated 1% pay award, the apprenticeship levy, the revenue costs of the approved capital budget and non-discretionary price inflation, the budget will have to increase by £1.7 million in 2017-18. This figure represents an increase on earlier estimates reported to Members following more detailed work on internal budget pressures.
- 10 Prior discussions with members of the Executive Panel explored the possibility of the use of reserves to underpin the budget for 2017-18. This could be used to partly offset any required increase and has been used to a lesser degree in previous years. Currently the Authority has general reserves of £2.6 million which would allow for this course of action. However Members are reminded of the risk associated with this strategy, as the Authority would need to make £1.7 million of savings the following year before any additional savings required to meet pay and price inflation, just to stand still. It was decided that the use of reserves should be

deferred until 2018-19 to delay any potential cuts to service provision until 2019-20. Thus, in line with the agreed financial strategy, Members should look to increased local authority contributions to support the 2017-18 budget.

- 11 This table sets out the financial implications to each Council in North Wales based upon its current proportion of the total population.

£	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Anglesey	3,236,545	3,219,270	3,216,231	3,198,669	3,200,523	3,190,812	3,360,883
Gwynedd	5,588,685	5,525,827	5,507,985	5,588,255	5,602,787	5,598,221	5,896,606
Conwy	5,240,568	5,206,959	5,198,570	5,283,704	5,289,891	5,277,177	5,558,451
Denbighshire	4,549,039	4,569,316	4,593,630	4,342,155	4,360,740	4,363,962	4,596,562
Flintshire	7,051,716	6,981,590	6,955,089	7,018,721	7,033,548	7,022,578	7,396,882
Wrexham	6,266,101	6,269,049	6,300,506	6,340,507	6,398,354	6,433,093	6,775,976
TOTAL	31,932,654	31,772,011	31,772,011	31,772,011	31,885,843	31,885,843	33,585,360

Recommendations

- 12 That Members:

- (i) note the assumptions upon which the draft revenue budget has been set for 2017-18;
- (ii) confirm that they wish to recommend to the Authority that the 2017-18 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 2016 that, in line with the three year financial strategy, it approves an increase in the contributions of the constituent councils for 2017-18 as indicated in the above table.