



AGENDA ITEM: 6

NORTH WALES FIRE AND RESCUE AUTHORITY EXECUTIVE PANEL

19th July 2010

Budget Prospects for 2011/12

Report by Dawn Docx, Deputy Chief Fire Officer

Purpose of Report

- 1 This paper represents the start of the budget setting process for 2011/12. It seeks to present the known budget pressures for the next financial year and to set out what is both known and unknown regarding the budget prospects for forthcoming years.

Background

- 2 In the July of each year a budget prospects report has been presented to the Executive Panel in which the funding pressures for the next year have been listed in order to illustrate what pay and price pressures may need to be included in the forthcoming year's budget and for the Authority to indicate which pressures can and which cannot be funded.
- 3 This year is no different except that the context in which this new budget is to be constructed is radically different. The new Government set out its financial objectives in an emergency budget on the 22nd June 2010. Its overall strategy is to reduce the £156 billion of national deficit within four years, primarily by means of a major reduction in public expenditure.
- 4 What this means in specific terms is difficult to understand at present. Although real term cuts of 20% over four years have been discussed, this fails to take into account those budgets that

are to be protected such as education (to an extent), health and overseas aid. This means that the majority of the required savings will fall upon unprotected areas such as local government services.

- 5 Another complication is the fact that the Authority is working within a devolved administration which means that there is a further level of decision making as to where the funding devolved to the Welsh Assembly Government (WAG) will be allocated. The difference in political complexion between Whitehall and WAG may mean that in Wales there will be a different set of priorities and a wish to protect different services. However, if the cuts in funding in Wales are of a similar level to those suggested to English Fire and Rescue Authorities then it will inevitably impact on front-line services and will require a reshaping of the Service and the level of provision.
- 6 To complicate matters even further there has been a recent announcement by a Treasury Minister that a 40% reduction in central government's departmental expenditure over the planning period should be considered as a precursor to a radical restructuring of the State's role.

Information

- 7 The starting point for North Wales Fire and Rescue Authority budget next year is its current revenue budget for 2010/11 which is £32 million.
- 8 As over 75% of that budget is made up of employee costs, pay awards have the greatest influence on budgetary needs. As Members are aware pay awards are negotiated and agreed at a national level. Recently central government has declared that there should be a public sector pay freeze for the next two years with effect from 1 April 2011.
- 9 Following on from this announcement in the emergency budget, the Employers issued a letter to the FBU which stated that they would not be making an offer on pay for 2010/11. Unless this decision is reversed over the next two to three years, this is the pay assumption that should be used in the budget setting process.

- 10 There will inevitably be an increase in capital charges in 2010/11. This is as a result of expenditure on the capital programme which has already been incurred and for which the Authority is committed to pay. WAG's current capital planning is indicating 10% reductions in capital resources over the next few financial years.
- 11 Another unknown factor is general inflation. The retail price index (RPI) for May 2010 is at 5.1% and the consumer price index (CPI) is 3.4%. However, inflation for fuel and other goods and services is currently very unpredictable and it is difficult to anticipate the cost of non discretionary items such as fuel and energy costs.
- 12 In the short term it is anticipated that WAG will honour its agreements to continue to fund the revenue costs of Firelink, the training and maintenance costs of the "New Dimensions" assets and the cost of community safety equipment. However, the long term future of these direct grants is uncertain and these activities may have to be funded from the mainstream revenue budget.
- 13 Despite the uncertainties around the budget prospects it seems inevitable that the RSG settlement for all Constituent Authorities will reduce in real terms. The indications are that local authorities are planning for at least a 3% reduction (year on year) over the planning period.

Recommendation

- 14 Members are asked to:
 - (i) note the above budget pressures and prospects; and
 - (ii) given the level of uncertainty around the financial prospects and the need to decide and implement change in a fast moving environment. Officers recommend that a subgroup, which could be the Risk Reduction working group, undertake the role of a budget development committee and meet at regular intervals over the summer and Autumn to consider all possible financial and service options.