



AGENDA ITEM: 7

NORTH WALES FIRE AND RESCUE AUTHORITY

20 December 2010

DRAFT BUDGET 2011-12

Report by Ken Finch, Treasurer

PURPOSE OF REPORT

- 1 To present to Members the draft budget for 2011-12 for approval.

INTRODUCTION

- 2 This report contains proposals to the Authority in respect of the draft budget for 2011-12, the forecasts for 2012-13 and 2013-14, and the papers attached set out:-
 - (i) the draft revenue budget (Appendix A);
 - (ii) potential savings (Appendix B);
 - (iii) the provisional contributions required by the Constituent Authorities (Appendix C);
 - (iv) the draft capital programme (Appendix D).
- 3 Presentation of the Budget in Best Value format, the Treasury Management Annual Strategy and the Prudential Indicators have not been included due to time constraints and will be presented to Members at a later date.

BACKGROUND

- 4 The first budget report was presented to the Executive Panel in July and outlined the anticipated pressures for next year in light of the financial objectives set out in the new Government's

emergency budget. The report indicated that local authorities would be planning for a 3% reduction year on year and given the uncertainties over future levels of funding a budget working group was established to consider all possible financial and service options. Further reports in September and November updated Members on the position nationally and gave details of the progress of the working group. Following a number of meetings the working group requested that officers produce a 'Budget Reduction Options' book for all Members to review prior to the extraordinary Fire and Rescue Authority on 10 December 2010.

- 5 The report to the extraordinary meeting of the Authority provided members with an overview of the financial position throughout Wales and sought a decision regarding the level of reduction in the Authority's budget over the next three years and agrees a strategy to achieve those reductions.

PROVISIONAL REVENUE SUPPORT GRANT SETTLEMENTS

- 6 Fire and Rescue Authorities in Wales are funded from a contribution from the Local Authorities that constitute the region in which they operate. The main funding for Local Authorities is the Revenue Support Grant (RSG) from the Welsh Assembly Government (WAG) and funding for Fire Authorities is included within the settlement. Within the North Wales area the Constituent Authorities have seen an average reduction in their RSG settlement of 1.6% for 2011/12. Indications are that for future years the settlement will be slightly better with an increase of 0.1% in 2012/13 and 1.1% in 2013/14.

BUDGET OPTIONS

- 7 The starting point for the budget process was to factor in any known increases for the 3 year planning period. These increases included known commitments such as the revenue funding for the capital programme based on expenditure that has already been incurred and unavoidable inflationary increases. No pay increase has been included for 2011/12 and 2012/13. The impact of the known commitments was to increase the budget by 2% in the first 2 years and by 2.5% in the third year. Members were made

aware that even to produce a standstill budget savings would have to be found to fund the known commitments.

- 8 Following recommendations from the Members of the budget working group and the Executive Panel the Authority was presented with a number of options as to the level of reduction in the Authority's budget for the next 3 years. The options included a cash standstill budget; a budget mirroring the RSG settlement; a budget that back loaded the savings; and a budget with the savings evenly spread. Members were also asked to agree a strategy to match the budget reductions from a package of options agreed on from the 'Budget Reduction Options' book.
- 9 The preferred option was to evenly spread the savings over the 3 years which resulted in a reduction in the budget of 0.5% in year 1 and 2 and a standstill budget in year 3. The overall cash savings required over the 3 years is 2.45m, a reduction of 7.5%.
- 10 A breakdown of the revenue budget is included in Appendix A and examples of the savings required to meet the reductions in Appendix B.

BUDGET STRATEGY

- 11 Examples of the 'Potential Option Packages' for each year were presented to Members so a decision could be taken on the strategy to be followed to achieve the required savings.

Year 1 – 2011/12

- 12 The options available to achieve the savings in the first year are detailed in Appendix B and it was provisionally agreed by Members that this would be the strategy followed. The majority of the savings are on front line fire cover which will be achieved through the Officer Cover Review, an on going project previously agreed by Members. Other savings agreed upon were to reduce various budget lines; freeze some Support Service posts; freeze some Community Fire Safety posts; and not fund the YFA annual event.

Year 2 and 3 – 2012/13 2013/14

- 13 To achieve the amount of savings required for years 2 and 3 Members must agree a strategy to be followed so Officers can put plans in place to ensure that the savings targets are met within the limited time frame. Following the Extraordinary meeting Members provisionally agreed that there is a need to cut from all areas of the service but the majority of the proposed savings over the next 2 years, £1m, would have to come from changes to service provision. Members considered the options available taking in to account the savings required and any changes to the level of fire cover. The option that would provide the savings and not change the level of fire cover was the 'Change of Rostering system'. However, Members were informed that this could prove to be a difficult option as it would result in the requirement to reduce the number of firefighter posts which could not be achieved through retirement or natural wastage. Members will also need to agree on the other savings required to meet the targets for years 2 and 3.

CONTRIBUTIONS

- 14 Appendix C sets out the provisional contributions for 2011-12 from the constituent authorities.

CAPITAL PROGRAMME

- 15 The draft capital programme for 2011-12 is set out in Appendix D and amounts to £3.8m of new spend and schemes that were previously approved in either 2009-10 or 2010-11 which amount to £5.7m. The major building schemes detailed in the schedule were reported to Members of the Executive Panel on 15 November 2010. The purchase of new appliances and ancillary vehicles is ongoing as per the vehicle replacement programme however it is envisaged that the £2.9m spend on Water Tenders in 2010/11 will not be achieved as delivery of these vehicles will occur in the new financial year, the rollover amount has now been included in the estimate for 2011/12. In 2010-11 the estimated outturn for capital expenditure is £5m and it is proposed to finance this from borrowing.

RECOMMENDATIONS

16 It is recommended that:

- (i) Members approve the draft budget for 2011-12 and agree the level of reductions to be made to the revenue budget for the next three financial years;
- (ii) Members approve the strategy to be followed to achieve the savings for 2011/12;
- (iii) Members agree a strategy to be followed to achieve the savings in 2012/13 and 2013/14;
- (iv) Constituent Authorities be advised of the provisional contributions required for 2011-12;
- (v) The draft capital programme for 2011-12 and associated methods of financing be approved;
- (vi) If any changes transpire before 15 February 2010, the powers for altering the budget level be delegated to the Executive Panel.