



AGENDA ITEM: 9

NORTH WALES FIRE AND RESCUE AUTHORITY

16 December 2013

DRAFT BUDGET 2014-15

Report by Ken Finch, Treasurer

PURPOSE OF REPORT

- 1 To present to Members the draft budget for 2014-15 for approval.

INTRODUCTION

- 2 This report contains proposals to the Authority in respect of the draft budget for 2014-15, the forecasts for 2015-16 and 2016-17, and the papers attached set out the:-
 - (i) draft revenue budget (Appendix A);
 - (ii) provisional contributions required by the constituent authorities (Appendix B);
 - (iii) draft capital programme (Appendix C).
- 3 The Treasury Management Annual Strategy and the Prudential Indicators have not been included as they will be presented to the Audit Committee which has been tasked with ensuring effective scrutiny of the treasury management strategy and policies. Based on its findings it will make recommendations to the Fire and Rescue Authority.

BACKGROUND

- 4 At the Fire and Rescue Authority meeting on the 16th September 2013, Members agreed to endorse the Authority's draft improvement objectives for 2014-15 to go out to public consultation. The document represents the service delivery commitments to the general public and the main objectives for the

forthcoming year are to deliver the current target of 30,000 Home Fire Safety checks and optimise fire and rescue cover in North Wales by finding alternative options to the Retained Duty System (RDS). It is expected that there will be no additional direct costs to the Authority in meeting these objectives but other pressures on the Authority mean that to maintain services at the current level would mean an increase in budgetary provision.

- 5 For the last three financial years the Authority has made savings of £2.4m by effectively reducing the net budget requirement by 1% and absorbing any increases such as pay awards, capital financing costs and general inflationary increases. To achieve these savings the Authority delivered on a number of options chosen by Members which included changes to the rostering system; a management re-structure; a review of Aerial Appliance cover; Community Fire Safety staffing; and Support Services staffing. Overall the workforce reduced by 9% over this period but despite these reductions the Authority continues to successfully deliver against its objectives.
- 6 At an extraordinary meeting of the Fire Authority on 5 December 2013 Members were presented with the options available to them for setting a budget for the forthcoming year. Members agreed that the priority was to maintain the current level of service provision and also to deliver on the objectives set out in the Improvement Plan. However, given the impact of the local government settlement and the reduction in funding to the constituent authorities Members were presented with an option which would enable the Authority to set a frozen budget whilst maintaining service levels.
- 7 In order to set a frozen budget any inflationary pressures for 2014-15 would have to be met from other resources. Members were given the option of using one off reserves to underpin the budget for one year. The majority of the reserve to be set aside is to come from the change in the method of funding for the fees for the Wrexham project, £860k.
- 8 It was agreed that this option would only be sustainable for one year and for subsequent year Members agreed that the Improvement Planning Working Group should consider the balance between budget pressures, service provision and the public risk.

ACTUAL – 2012-13

- 9 The actual expenditure for 2012-13 is included in the first column of the appendix to aid comparison with the current and proposed budgets. Under employee costs there is a notable difference between the actual expenditure for 2012-13 and the budgets for Uniformed Staff – Wholetime. This is due to a restructuring exercise as a result of the changes to the rostering system. The Chief Officers actual expenditure was less than subsequent year's budgets due to the retirement of one post holder with the vacancy not being filled until a later date. Expenditure on Uniformed Staff – Part time is less than current budgets due to reduced numbers of RDS staff, the cover is currently part of the Rural Fire Cover Review and budgets have been maintained at their current level until the review has been completed. Communications costs were less than current and future budgets due to changes in line rental contracts and the full effect of Firelink costs not arising until the following year. Other expenditure compared to future budgets is fairly static and where there are increases this reflects changes due to inflationary pressures.

BUDGET 2014-15

- 10 To set a balanced budget the starting point is to include known commitments such as the revenue funding for the capital programme and unavoidable inflationary increases.
- 11 For 3 years there was a pay freeze on public sector pay. The pay freeze has now come to an end; firefighters were awarded a 1% increase from July 2012 and other staff an increase of 1% in April 2013. To cover possible pay awards in 2014-15, 1% has been factored in to the budget for all employed staff.
- 12 Some budget lines have been increased where it is known that there will be an inflationary increase e.g. energy costs, fuel, national non domestic rates and service level agreements. Other lines have been increased where there has been a change in service delivery e.g. Firelink support costs, change in line rental contract and use of external contractors for vehicle maintenance. Other budget lines have been maintained at their current level and any inflationary increases will have to be met from a further

contribution from the reserve as will any increases in activity levels. The overall increase is £405k of which £287k is for an increase in Debt Charges which reflects the cost to the Authority of having a capital programme.

- 13 The proposed budget for 2014-15 includes a contribution from reserves to cover any known increases leaving the budget required to be met by the constituent authorities at the same level as the previous year. Any other inflationary pressures and increase in activity levels not detailed in the budget lines will also be met by reserves.

BUDGET 2015-16 and 2016-17

- 14 To assist with the planning process, budget forecasts for 2015-16 and 2016-17 are included in the appendix to this report.
- 15 Known commitments have been factored in to the budgets for the 2 years and include the increased revenue costs of capital based on the capital programme detailed in appendix C. A pay award of 1% has been factored in to the budget for these 2 years. The impact of known commitments has increased the budget by 4.33% in 2015-16 and 1.99% in 2016-17. The large increase in 2015-16 is due to the removal of the contribution from reserve from the base budget and gives Members an indication of the actual cost of maintaining the level of service provision in the future.
- 16 The budgets for 2015-16 and 2016-17 reflect the cost of maintaining the current level of service provision. As detailed in paragraph 8 above these budgets will be subject to change according to the strategy decided on by Members following a review by the Improvement Planning Working Group.

CONTRIBUTIONS

- 17 Appendix B sets out the provisional contributions for 2014-15 from the constituent authorities.

- 18 Members will wish to note that because population estimates from the Office for National Statistics are used to allocate both contribution and RSG, those authorities with a large change in population estimate will see a correspondingly large increase or decrease in their contribution, the change will also have been reflected in their RSG settlement.

CAPITAL PROGRAMME

- 19 The draft capital programme for 2014-15 is set out in Appendix C and amounts to £8.575m. Of this figure, £4.078m is for new schemes and £4.497m for schemes that have rolled over from previous years such as the Wrexham scheme which was approved in 2009/10 but due to site issues has experienced a number of delays. The purchase of new appliances and ancillary vehicles is ongoing as per the vehicle replacement programme. In 2013-14 the estimated outturn for capital expenditure is £5.754m and it is proposed to finance this from borrowing and a contribution from revenue. Part of the revenue underspend from 2013-14 will be used to finance the capital programme in the same year. Revenue financing will reduce future debt charges arising from the current programme and help mitigate budget increases for future years.

RECOMMENDATIONS

- 20 It is recommended that:
- (i) Members approve the draft budget for 2014-15;
 - (ii) Members confirm the strategy to be followed to achieve a balanced budget for 2014-15;
 - (iii) Members note the budget position for 2015-16 and 2016-17;
 - (iv) Constituent authorities be advised of the provisional contributions required for 2014-15;
 - (v) The draft capital programme and associated methods of financing for 2014-15 be approved.