



## **AGENDA ITEM: 6**

### **NORTH WALES FIRE AND RESCUE AUTHORITY EXECUTIVE PANEL**

**26 October 2015**

#### **BUDGET OPTIONS 2016-17**

**Report by Dawn Docx, Deputy Chief Fire Officer**

#### **Purpose of Report**

- 1 To update Members of the Executive Panel on the progress made in developing the Fire and Rescue Authority's draft revenue budget for 2016-17.

#### **Background**

- 2 At the last Fire and Rescue Authority meeting on 21 September 2015, Members agreed to endorse the Authority's draft improvement objectives for 2016-17 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:

"To implement a 3-year financial plan for 2014-15 to 2016-17 that funds the current level of service, but that aims to limit the cost of doing so to the equivalent of an extra £1 per year, per head of population."

with the following:

"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."

- 3 Presentations around financial pressures and funding prospects have been made to Members at the Improvement Planning Working Group on 20 July 2015 and to the Audit Committee on 14 September 2015. In both meetings there were extensive discussions around how to close the budget gap of over £1.9 million over the next three years. Members are aware that this is made all the more difficult given that the Authority has already frozen its budget from 2011-12 until 2014-15. During these years 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%.

## **Information**

- 4 Usually the Welsh Government (WG) issues its provisional local government revenue and capital settlement for the next financial year early in October. However, this has not been possible for this year because, following the general election, there has been a summer budget and the start of a comprehensive spending review (CSR) by the UK Government. The impact of both on devolved administrations is still not known. The CSR is not going to report until 25 November 2015. Therefore the Welsh Government will not be able to issue its draft budget until the early part of 2016 which will delay the provisional local government settlement until a later date.
- 5 As a consequence of these delays a detailed estimate budget report cannot be reported to the Fire and Rescue Authority at its meeting on 14 December, although a progress report will be available. As a result the Treasurer recommends that an extraordinary meeting be arranged for 25 January 2016. At this meeting the only item on the agenda will be the budget for 2016-17.
- 6 Through the work undertaken by the Improvement Planning Working Group, 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.

- 7 As Members are already aware, a saving of £1 million alone equates to the removal of either one wholetime fire appliance (and 28 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 7 RDS stations across the North Wales area.
- 8 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 2016-17, the timescales involved would not allow for the statutory consultation with all stakeholders to take place to enable these Service reductions to be made in 2016-17. If Service reduction is considered then it is more realistic to seek to deliver any budget reductions in 2017-18.

## **Risks and Opportunities**

- 9 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 outcome of the provisional local government settlement from the Welsh Government and the reduction or removal of direct grants from the Welsh Government. The Chief Fire Officer, at a meeting with government officials on 15<sup>th</sup> October, sought clarification on the prospect of WG continuing to fund the long standing grant for radio and data communications (Airwave). He was advised that this grant cannot be guaranteed. Currently North Wales' share of this grant is £400k
- 10 All of these are currently unknown. What can be estimated is the difference between the cost of a continuation budget and a frozen budget. In order to fund increased employee costs because of a 1% pay award and the expected 3.4% increase in employer NI (this has yet to be confirmed), the revenue costs of the approved capital budget and non discretionary price inflation, the budget will have to increase by at least £1.3 million in 2016-17. Members should not that this is a provisional and minimum figure.
- 11 Initial discussions with Members of the Executive Panel explored the possibility of the use of reserves to underpin the budget for 2016-17. 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 £1.8 million which would allow for this course of action.

- 12 However, Members are reminded of the substantial risk associated with this strategy, as the Authority would need to make £1.3 million of savings the following year before any additional savings required to meet pay and price inflation, just to stand still. In addition the 'in-year' funding for any unforeseen demands that could arise would be reduced.

### **Recommendations**

- 13 Members are requested to:
- (i) note the cause of delays around setting a balanced budget for 2016-17;
  - (ii) recommend to the Authority that an extraordinary Fire Authority meeting should be held in January 2016 to agree the budget;
  - (iii) recommend to the Authority that the 2016-17 budget be constructed on the basis of the current level of service provision;
  - (iv) recommend that the Authority considers underpinning the 2016-17 budget with funding taken from the general reserves, taking into account the substantial risks that it then creates for subsequent years.