



AGENDA ITEM: 7

NORTH WALES FIRE AND RESCUE AUTHORITY

14 December 2015

FIRE AND RESCUE AUTHORITY BUDGET 2016-17

Report by Simon Smith, Chief Fire Officer

Purpose of Report

- 1 To update members of the Fire and Rescue Authority as to the progress in developing the Fire and Rescue Authority's draft budget for 2016-17 and to present the recommendations made by the Executive Panel as part of this process.

Background

- 2 A report on budget options and progress made on developing the draft revenue budget was presented to the Executive Panel on the 26 October 2015. In that report it was explained to Members that it would not be possible to produce the usual detailed budget report for this meeting of the Fire and Rescue Authority on the 14 December 2015. This is because following the general election in the spring, there has been a summer budget and a spending review. The spending review did not report until 25 November 2015. Therefore, the Welsh Government was not able to issue its draft budget until 8th December and the provisional local government settlement was not available until 9 December 2015.
- 3 It was subsequently resolved that this report would be a progress report setting out the assumptions on which the budget is being developed and that an extraordinary Fire and Rescue Authority meeting should be held on the 25 January 2016 to agree the 2016-17 budget in detail.

Information

- 4 At the last Fire and Rescue Authority meeting on the 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."

- 5 Through presentations around financial pressures and funding prospects which have been made to the Improvement Planning working group on 20 July 2015 and to the Audit Committee on 14 September 2015, Members are aware just how challenging it will be to achieve a frozen budget. In both meetings there were extensive discussions around how to close the budget gap of £1.9 million over the next three years. Members are aware that this is made all the more difficult given that the Authority has a frozen budget between 2011-12 and 2014-15. During these years the Authority found £3 million savings and has seen its workforce, including managers, firefighters, community safety and support staff, reduce by 9%.
- 6 However, Members of the Executive Panel recommended that the 2016-17 budget should be constructed on the basis of the current level of service provision and that the Authority should consider underpinning the 2016-17 budget with funding taken from general reserves.

- 7 The Treasurer advises that using this fund would pose a significant risk to the Authority in the longer term. His advice is that a general reserve fund of 5% of the total budget should be maintained at all times and this would equate to £1.5 million for North Wales Fire and Rescue Authority.
- 8 Recognising that time is required in order to develop and implement any reductions to the Service, the Treasurer accepts that general reserves could be taken down to 3% and other reserves can be used with the intention of replacing them in time from managed in year underspends. There is currently £1,816,836 in general reserves. This means that £857,000 could be used to underpin the budget.
- 9 The gap between a frozen budget and continuation budget for 2016-17 is a minimum of £1.3 million. This includes the following cost pressures:
 - Employee costs of £519,000 (1% pay award and the loss of 3.4% National Insurance savings, due to changes in the pension regulations). This is less than previously reported because a number of currently vacant posts will not now be filled.
 - Capital charges of £469,000, which is higher than previously reported because it is now based on expenditure of £10million on account of the completion of Wrexham, Deeside and Nefyn projects within the same financial year.
 - Replacing underpinning from reserves of £223,000.
 - Specific general inflation of £97,000.
- 10 It does not include any reductions in Welsh Government grants and any legislative changes which might increase costs or demand upon the Service. The Authority currently receives £240,000 Community Risk Reduction grant, £416,000 towards the cost of the Airwave communication system and £486,000 New Dimensions grant. It is particularly important that the latter two grants continue because they contribute to the maintenance of national resilience, at a time of increased threat to national security.

Recommendations

11 Members are requested to:

- (i) note the challenges around setting a balanced budget for 2016-17;
- (ii) confirm that they wish the 2016-17 budget to be constructed on the basis of the current level of service provision;
- (iii) accept the recommendations of the Executive Panel 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.