



## **AGENDA ITEM: 8**

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

**17 December 2012**

#### **DRAFT BUDGET 2013-14**

**Report by Ken Finch, Treasurer**

#### **PURPOSE OF REPORT**

- 1 To present to Members the draft budget for 2013-14 for approval.

#### **INTRODUCTION**

- 2 This report contains proposals to the Authority in respect of the draft budget for 2013-14, the forecasts for 2014-15 and 2015-16, 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 When the current Government came in to office one of its financial objectives was to reduce expenditure in the public sector year on year. The main funding for local authorities in Wales is the Revenue Support Grant (RSG) from the Welsh Government (WG)

and funding for fire and rescue authorities is included within the settlement. The WG gave local authorities an indication of the changes to their RSG settlements for the next three years so authorities could make longer term plans to reduce expenditure. The table below sets out the % changes in RSG for the local authorities across North Wales and includes the actual changes for 11/12 and 12/13 together with the estimated change for 13/14 (provided by WG as a provisional settlement).

Table 1

Local Authority	RSG % Decreases(-)/Increases		
	Actual 11/12	Actual 12/13	Estimated 13/14
Isle of Anglesey	-1.70%	-1.20%	1.07%
Gwynedd	-1.70%	0.00%	1.14%
Conwy	-1.70%	-0.40%	0.91%
Denbighshire	-1.60%	0.70%	1.01%
Flintshire	-1.70%	-0.20%	1.13%
Wrexham	-1.20%	1.20%	2.10%
LA Average	-1.60%	0.01%	1.22%
North Wales Fire	-0.50%	-0.50%	0.00%

- 5 Given the financial position throughout Wales, an extraordinary meeting of the Fire and Rescue Authority was held on 10 December 2010 to decide the level of reduction in the Authority's budget over the next three years and agree a strategy to achieve those reductions.
- 6 The preferred option was to match the overall decrease in the settlement and evenly spread the savings over the 3 years. This resulted in a reduction in the budget of 0.5% in years 1 and 2 and a standstill budget in year 3. Given that the known commitments would increase the budget by 2% in the first 2 years, and then by 2.5% in year 3, the overall cash savings required over the 3 years is £2.45m, a reduction of 7.5%.
- 7 Members should be aware that next year is the final year of the three year plan and, although 2014/15 and 2015/16 have been included, they are new years in the planning process therefore no strategy has been agreed as yet as to whether it is prudent to plan for further savings. For these years, an estimate only of the potential increases has been included until a strategy is agreed.

## **ACTUAL – 2011/12**

- 8 The actual expenditure for 2011/12 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 2011/12 and the budgets for local government services staff. This is due to a restructuring exercise which has resulted in vacant posts being filled later than estimated, and a number of posts not being filled due to the need to make savings in future years. Expenditure under miscellaneous costs was higher in comparison to current and future budgets due to the costs of redundancies, as a result of the restructuring exercise. Expenditure on repairs and maintenance was higher in 2011/12 because of a backlog in maintenance requirements due to constrained expenditure in previous years. 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.

## **OUTTURN YEAR 2 – 2012/13**

- 9 When the original 3 year plan was agreed, Members decided that for year 2 of the plan the savings of £815k would be made from the following areas:-

• Front line fire cover (change in rostering)	£500,000
• Discretionary budget lines (e.g. conferences)	£ 60,000
• Non statutory services (e.g. YFA, Bike Safe)	£ 20,000
• Community safety	£ 50,000
• Support services	£ 90,000
• Additional savings (to be found in year)	£ 95,000

- 10 A separate report on the agenda, entitled Provisional Outturn 2012/13, details the projected outturn against budget and, whereas savings may not have been wholly achieved in the areas detailed above, savings elsewhere have made up the shortfall.

## **BUDGET 2013/14**

- 11 This is the final year of the 3-year strategy, a standstill budget, agreed by Members. In order to achieve a standstill budget, savings have to be made to cover known increased costs.
- 12 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.
- 13 For 3 years there has been a pay freeze on public sector pay. The pay freeze has now come to the end as firefighters were awarded a 1% increase from July 2012. No award has been made for support service, community and legislative fire safety and other staff in 2012/13. To cover possible pay awards in 2013/14, 2% has been factored in to the budget for all employed staff.
- 14 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 (or reduced if they are part of the savings plan) and any inflationary increases will have to be met by further savings. The overall increase is £482k of which £323k is for the estimated pay award.

## **BUDGET 2014/15 and 2015/16**

- 15 To assist with the planning process, budget forecasts for 2014/15 and 2015/16 are included in the appendix to this report.
- 16 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. With the end of the public sector pay freeze it has been considered to be prudent to include a possible pay award of 2% within the budget for these 2 years. The impact of known commitments has increased the budget by 2.81% in 2014/15 and 2.42% in 2015/16.

- 17 2014/15 and 2015/16 are new years in the planning process so no strategy has been agreed as yet as to whether it is prudent to plan for further savings for these years. Discussions on future budget plans will commence early in the budget setting process next year.

### **YEAR 2 and 3 SAVINGS – 2012/13 and 2013/14**

- 18 Members agreed that the majority of the savings, over £1m, would come from a reduction in expenditure to deliver fire cover and a corresponding reduction in the level of support.
- 19 For the reduction in cost of fire cover, Members were asked to agree to the option recommended by the Executive Panel which was to make changes to the system of rostering of crews with any changes made by negotiated agreement. This option was chosen on the grounds that it would have the least impact on the service delivered to the public of North Wales. Agreements were reached between officers and the representative bodies and a new rostering system was implemented from 1<sup>st</sup> April 2012. The agreement was a reduction of 22 firefighter posts which was to be achieved by natural wastage. However, if the number of firefighters retiring is not in line with the proposed budget savings then a reserve has been set aside to cover additional costs until the numbers leaving the Service are in line with those set out in the original proposal.
- 20 The number of support staff has been reduced following a restructuring exercise and further reductions are to be made in 2013/14 following a further review of services.

### **CONTRIBUTIONS**

- 21 Appendix B sets out the provisional contributions for 2013-14 from the constituent authorities.
- 22 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 larger population estimate than previously will see an increase in their contribution, but they will also have benefited from an increase in RSG to cover this (see Table 1).

## **CAPITAL PROGRAMME**

- 23 The draft capital programme for 2013-14 is set out in Appendix C and amounts to £7.616m. Of this figure, £3.716m is for new schemes and £3.9m for the Wrexham scheme which was approved in 2009/10 but has been delayed. The major building schemes detailed in the schedule were reported to Members of the Executive Panel on 17 September 2012. The purchase of new appliances and ancillary vehicles is ongoing as per the vehicle replacement programme. In 2012-13 the estimated outturn for capital expenditure is £4.365m and it is proposed to finance this from borrowing.

## **RECOMMENDATIONS**

- 24 It is recommended that:
- (i) Members approve the draft budget for 2013/14;
  - (ii) Members confirm the strategy to be followed to achieve the savings in 2013/14;
  - (iii) Members note the budget position for 2014/15 and 2015/16;
  - (iv) Constituent authorities be advised of the provisional contributions required for 2013/14;
  - (v) The draft capital programme and associated methods of financing for 2013/14 be approved.