

The report is Not Exempt

The report is for Decision

REPORT TO: FIRE AUTHORITY

MEETING DATE: 10 December 2018

SUBJECT: JOINT REPORT OF THE CHIEF FIRE OFFICER AND CHIEF FINANCIAL OFFICER ON BUDGET INDICATIONS FOR THE FINANCIAL YEAR 2019/20

SUMMARY

This report builds upon the outline budget requirement as approved at the Fire Authority meeting held on 17th September 2018 and sets out the budget requirement for 2019/20, Medium Term Financial Plan and 5-year Capital Programme. In accordance with the Constitution the Fire Authority is required to approve the budget requirement by the 15th February 2019. The outline budget was presented to and supported by the Resource Management Committee on the 12th November, and accordingly the Resource Management Committee recommends that the Fire Authority approve the budget requirement and capital programme for 2019-2023.

RECOMMENDATIONS:

The outline budget was presented to the Fire Authority meeting on 17th September 2018 where the recommendation to increase the budget by £1,179,000 (2.52%) was supported. The outline budget was also agreed by the Resource Management Committee on the 12th November 2018, and the report has been updated to reflect information on the provisional settlement to Local Authorities, the Medium Term Financial Plan, and the 5-year Capital Programme. The operational employees (grey book) pay award for 2018/19 has been included in the budget at 2% although remains subject to further negotiations at National level at this time.

The Resource Management Committee recommends that the Fire Authority formally supports the budget proposals set out, and: -

1. Agrees the assumptions for inflation, estimated pay awards and other commitments as set out in the Medium Term Financial Plan at Appendix A.
2. Agrees that the resulting budget requirement for 2019/20 would be a minimum of £47,987,670 with £47,817,670 falling on the Constituent Authorities and £170,000 falling on reserves (Appendix A).
3. Agrees that this would result in an increase of 2.48% on the Constituent Authorities.
4. Agrees the Capital Programme for the period to 2022/23 at Appendix B.
5. That the Fire Authority should acknowledge that the Medium Term Financial Plan is based on the assumption that the Firefighter pension fund employers' contribution increase will be funded in full by Her Majesty Treasury (via the Welsh Government), though should this not be the case the Fire Authority will increase the levy set to accommodate any shortfall. An Extraordinary General Meeting will be called to agree a revised Levy if necessary.

REPORT APPROVAL	
Clerk/Monitoring Officer:	Comments: Approved Date: 03.12.18
Relevant Director:	Comments: Approved Date: 03.12.18
Section 151 Officer /Treasurer:	Comments: Approved Date: 03.12.18
Chief Fire Officer/ Deputy Chief Fire Officer	Comments: Approved Date: 03.12.18

BACKGROUND PAPERS USED IN PREPARATION OF THIS REPORT:
2018/19 Approved Revenue Budget Pay settlement consultations Corporate Plan 2018-23 Statement of Accounts 2016/17 Budget Corporate Planning days July and August 2018

Presenting the Report:	Chris Davies, Chief Fire Officer Ext 4401 Chris Moore, S151 Officer
Report Author(s) and Designation	Chris Davies, Chief Fire Officer Sarah Mansbridge, Head of Finance
Date original report written	23/11/2018

Mae'r Adroddiad Heb ei eithrio

Mae'r Adroddiad AR GYFER PENDERFYNIAD

ADRODDIAD I'R: AWDURDOD TÂN

DYDDIAD Y CYFARFOD : 10 Rhagfyr 2018

**TESTUN: CYD-ADRODDIAD Y PRIF SWYDDOG TÂN A'R PRIF SWYDDOG
CYLLIDEB AR DDYNODIADAU'R GYLLIDEB AR GYFER BLWYDDYN ARIANNOL
2019-20**

CRYNODEB:

Mae'r adroddiad hwn yn adeiladu ar ofyniad amlinellol y gyllideb a gymeradwywyd yng nghyfarfod yr Awdurdod Tân ar 17 Medi 2018, ac yn nodi gofyniad y gyllideb ar gyfer 2019-20, y Cynllun Ariannol Tymor Canolig, a'r Rhaglen Cyfalaf pum mlynedd. Yn unol â'r Cyfansoddiad, mae'n ofynnol i'r Awdurdod Tân gymeradwyo gofyniad y gyllideb erbyn 15 Chwefror 2019. Yn dilyn cyflwyniad a chefnogaeth yng nghyfarfod y Pwyllgor Rheoli Adnoddau ar 12 Tachwedd, ac felly mae'r Pwyllgor Rheoli Adnoddau yn argymhell y dylai'r Awdurdod Tân gymeradwyo gofyniad y gyllideb amlinellol a'r rhaglen cyfalaf ar gyfer 2019-2023.

ARGYMHELLION:

Cyflwynwyd y gyllideb amlinellol i gyfarfod yr Awdurdod Tân ar 17 Medi 2018, lle cefnogwyd yr argymhelliad i gynyddu'r gyllideb £1,179,000 (2.52%). Cytunwyd y Pwyllgor Rheoli Adnoddau ar y gyllideb amlinellol ar 12 Tachwedd 2018 ac mae'r adroddiad wedi cael ei ddiweddarau i adlewyrchu gwybodaeth am y setliad dros dro i Awdurdodau Lleol, y Cynllun Ariannol Tymor Canolig, a'r Rhaglen Cyfalaf pum mlynedd. Mae'r dyfarniad cyflog i'r gweithwyr gweithredol (y llyfr llwyd) ar gyfer 2018-19 wedi cael ei gynnwys yn y gyllideb ar 2%, er bod hyn yn parhau i gael ei drafod yn genedlaethol ar hyn o bryd.

Argymhellir y Pwyllgor Rheoli Adnoddau bod yr Awdurdod Tân ac Achub yn cefnogi'n ffurfiol y gyllideb a amlinellir ac yn:

1. Cytuno ar y tybiaethau ar gyfer chwyddiant, y dyfarniadau cyflog amcangyfrifedig, a'r ymrwymadau eraill a amlinellir yn y Cynllun Ariannol Tymor Canolig yn Atodiad A.
2. Cytuno y byddai gofyniad y gyllideb ganlyniadol ar gyfer 2019-20 yn £47,987,670 o leiaf, gyda £47,817,670 yn mynd i'r Awdurdodau Cyfansoddol a £170,000 yn mynd i'r cronfeydd wrth gefn (Atodiad A).
3. Cytuno y byddai hyn yn arwain at gynydd o 2.48% ar yr Awdurdodau Cyfansoddol.
4. Cytuno ar y Rhaglen Gyfalaf ar gyfer y cyfnod hyd at 2022-23 yn Atodiad B.
5. Dylai'r Awdurdod Tân gydnabod bod y Cynllun Ariannol Tymor Canolig yn seiliedig ar y dybiaeth y bydd y cynnydd yng nghyfraniad cyflogwyr Cronfa Bensiwn y Diffoddwyr Tân yn cael ei ariannu'n llawn gan Drysorlys Ei Mawrhydi

(trwy Lywodraeth Cymru). Os na fydd hyn yn digwydd, bydd yr Awdurdod Tân yn cynyddu'r ardoll a osodwyd i ddarparu ar gyfer unrhyw ddiffyg. Bydd Cyfarfod Cyffredinol Eithriadol yn cael ei alw er mwyn cytuno ar Ardoll diwygiedig yn ôl yr angen.

CYMERADWYO'R ADRODDIAD

Clerc:	Sylwadau: Cymeradwywyd Dyddiad: 03.12.18
Cyfarwyddwr:	Sylwadau: Cymeradwywyd Dyddiad: 03.12.18
Cyllid/Trysorydd:	Sylwadau: Cymeradwywyd Dyddiad: 03.12.18
Prif Swyddog Tân / Dirprwy Brif Swyddog Tân	Sylwadau: Cymeradwywyd Dyddiad: 03.12.18

PAPURAU CEFNDIR A DDEFNYDDIWDYD WRTH BARATOI'R ADRODDIAD HWN:

Cyllideb Refeniw Cymeradwy 2018-19

Ymgynghoriadau ar setliadau cyflogau

Cynllun Corfforaethol 2018-23

Datganiad o Gyfrifon 2016-17

Diwrnodau Cynllunio Corfforaethol y Gyllideb Gorffennaf ac Awst 2018

Yn cyflwyno'r Adroddiad:	Chris Davies, Prif Swyddog Tân Chris Moore, Swyddog A151
Awdur(on) yr Adroddiad a'u Swyddi	Chris Davies, Prif Swyddog Tân Sarah Mansbridge, Pennaeth Cyllid
Dyddiad yr ysgrifennwyd yr adroddiad gwreiddiol	23/11/2018

**REPORT TO THE FIRE AUTHORITY
10TH DECEMBER 2018
JOINT REPORT OF THE CHIEF FIRE OFFICER AND CHIEF FINANCIAL OFFICER
ON BUDGET INDICATIONS FOR THE FINANCIAL YEAR 2019/20**

1 Summary

1.1 This report builds upon the outline budget requirement as approved at the Fire Authority meeting held on 17th September 2018 and sets out the budget requirement for 2019/20, Medium Term Financial Plan and 5-year Capital Programme. In accordance with the Constitution the Fire Authority is required to approve the budget requirement by the 15th February 2019. The outline budget was presented to and supported by the Resource Management Committee on the 12th November, and accordingly the Resource Management Committee recommends that the Fire Authority approve the budget requirement and capital programme for 2019-2023.

2 National/Wales Position

2.1 The Welsh Government announced the Local Government Finance Settlement on 9th October 2018. The provisional settlement is an overall reduction of 0.3% across Wales. The published settlement for each Constituent Authority is:

Authority	2018/19	2019/20
Powys	-1.00%	-1.00%
Ceredigion	-0.30%	-0.30%
Pembrokeshire	-0.40%	-0.40%
Carmarthenshire	-0.50%	-0.50%
Swansea	-0.10%	0.00%
Neath Port Talbot	-0.40%	0.20%

The final Settlement will be published on 18th December 2018.

The Chancellor's Autumn Budget was published on 29th October 2018. The Welsh Government committed to put councils at the "front of the queue" for distributing the money arising from the Chancellor's budget. On 20th November 2018, following discussions with WLGA, the Welsh Government announced additional resources for local services across Wales. The Welsh Government has worked closely with council leaders to address the most significant service pressures. The funding floor has been raised from -1% to -0.5% and on top of this an additional £13m has been provided to take the Welsh average to a flat cash settlement, meaning more money for core services like education and social care.

3 Mid and West Wales Fire and Rescue Service (MAWWFRS) Current Position

3.1 Introduction:

This report sets out the revenue budget requirement for 2019/20, the Medium Term Financial Plan (MTFP) to 2022/23, and the 5-year Capital Programme to 2022/23. Members of the Fire Authority re-iterated the need to plan early in relation to the budget for the coming year and thus, the two Corporate Planning days took place in July and August 2018. The purpose of these days was to ensure that Fire and Rescue Authority members understood the financial implications and context surrounding the 2019/20 Settlement and future years, and understood the significant efficiencies already

achieved, and provide officers with clear informal direction on the construction of the 2019/20 budget.

The revenue budget requirement was presented to the Fire Authority on the 17th September 2018 where members supported the increase of 2.48% for Constituent Authorities and an overall increase of 2.52%. The outline budget was also agreed by the Resource Management Committee on the 12th November 2018.

The Capital Programme, set out at Appendix B, includes the Revised Programme for 2018/19, the Estimate for 2019/20, and an indicative programme of works for the period 2020/21 to 2022/23. The revenue impact of funding the current year Capital Programme through borrowing has been included in the base budget increase of 2.52%. The impact of the indicative programme for 2020/21 to 2022/23 has not been factored in to the MTFP.

3.2 Efficiencies:

The Authority has made substantial real cash efficiencies over the last few years from a combination of operational and corporate initiatives. Initially, there was a thorough efficiencies exercise undertaken with the assistance of members of the Authority, scrutinising every line of the budget in liaison with every budget holder, justifying the level and existence of each budget and examining alternative ways of providing the service.

A service review team was set up in October 2015 to review all services across the Authority over two phases. The purpose of phase 1 was to carry out a root and branch review of all service departments and functional areas. Phase one was completed in October 2016 and the outcome of this phase identified several areas where improvements could be made but also identified several single points of failure. The Heads of Service were tasked with reviewing the outcomes and develop improvement plans for their service areas.

Phase 2 of the service review looked at options to transform and further improve services as part of continuous improvement. Options are now being implemented in several areas including Digitalisation, On-Call and Transport.

4 Proposal

- 4.1 A budget which would allow the Authority to address unavoidable pressures. The impact is an increase of £1.179m including £844k for pay and prices and £335k for pressures.

2019/20 Budget Increases	£000	£000
Pay Award	683	
Prices Inflation	161	
Pay and Prices Inflation		844
Shift Change	170	
Domestic Homicide review	20	
HMRC Officer Vehicles	45	
Airwave	100	
Total Pressures		335
Total Increase		1,179

- 4.2 Self-Rostered Crewing (SRC) was introduced to MAWWFRS in 2009/10. On 25th May 2018, The Hon Mr Justice Kerr found that the Close Proximity Crewing (CPC) arrangement operated by South Yorkshire Fire and Rescue Service to be unlawful. Whilst no judgement has been made on SRC operated by MAWWFRS, the Service recognises that there are similarities between the two systems. Accordingly, it has been necessary to review crewing arrangements at 2 fire stations. The financial impact of the shift changes is estimated at £170k per annum.
- 4.3 MAWWFRS is one of 5 statutory partners who contribute to Domestic Homicide Reviews within the 6 Constituent Authorities. It is highlighted that this cost has not previously been budgeted for and has created a pressure on operational budgets.
- 4.4 In 2017/18 the Authority's Employment Tax Advisors identified that P11Ds (end-of-year expenses and benefits) had been incorrectly calculated in respect of officers' vehicles. The ongoing revenue impact of changes to Officers' Vehicles is estimated at £45k per annum.
- 4.5 Welsh Government continue to provide a grant to fund some of the revenue and capital costs of the Fire link/Airwave communications system. The current grant allocation is £270k less than the amount paid out by the Authority. This equates to an additional £100k pressure for 2019/20. The new system, Emergency Services Mobile Communications Project (ESMCP) has been delayed and the timing of its implementation is uncertain. Representations have been made to Welsh Government to continue to support the existing cost as well as the capital, revenue and transition costs of the new system.
- 4.6 The Chief Fire Officer met with Treasurers and/or their representatives from the 6 Constituent Authorities on 18th October 2018 to outline the importance of the service provision, and to highlight the value for money currently being obtained. Consistently the Constituent Authorities do not want to see a reduction in Fire and Rescue Service provision in their Council area. Treasurers were reminded that it is the responsibility of the Constituent Authorities, through the Fire and Rescue Services Act 2004 and the powers contained within the Combination Scheme Order, to discharge their duties to maintain an effective Fire and Rescue Service in their areas through the Combined Fire and Rescue Authority.
- 4.7 The balance on Usable Reserves at the end of the 2016/17 financial year was £8.995m. The unaudited Statement of Accounts 2017/18 show the balance of Usable Reserves at £8,035.
- 4.8 A breakdown of the Earmarked Reserves as at 31st March 2018 is detailed below. Members will see that most of these are committed and a further review on the reserves will be undertaken as part of the budget setting process. The Fire Authority is undergoing change through the risk review programme and this will require investment. An initial review of reserves has concluded reserves are adequate to manage change and retain adequate reserves for operational management.

	Reserve 31st March 2018 £000
General Fund Balance	707
Earmarked Reserves:	
Invest to Save Fund	191
Minimum Revenue Provision	648
Capital Fund	1,000
Major Incidents	400
Fundraising & Ring-Fenced reserve	386
Levy Equalisation Reserve	1,000
Software & Communications	1,203
Risk Management	500
Managing Change – Employees & Pensions	2,000
	8,035

- 4.9 The budget in previous years has been supported through £150,000 use of reserves to manage the increase cost of Insurance. The draft budget for 2019/20 continues to use the Levy Equalisation Reserve in the sum of £170,000 to support the budget requirement.

5 Financial/Procurement Implications

5.1	Budget Requirement	2018/19 £	Increase £	2019/20 £	Increase %
	Net Budget Requirement	46,808,670	1,179,000	47,987,670	2.52
	Reserves	(150,000)	(20,000)	(170,000)	
	Constituent Authorities	46,658,670	1,159,000	47,817,670	2.48

- 5.2 The budget has been developed based upon the following assumptions:
- An average National pay award of 2% for all staff. Pay negotiations for firefighters are still ongoing and may be back-dated. Increases above 2% will create a further budget pressure,
 - Prices inflation increases to include fuel, utilities, contracts are based on CPI and known increases.
- 5.3 The net budget requirement taking account of the additional costs and efficiencies is £47,987,670 an increase of 2.52%, of which £170,000 will be funded from Earmarked Reserves and £47,817,670 by Constituent Authorities (2.48% increase).

6 Risk Assessment/Legal Implications

- 6.1 The Authority is obliged, in accordance with the requirements of the Combination Scheme Order, to submit an estimate of its net expenses for the following year to its Constituent Unitary Authorities by the 31st December annually, before determining the final budget by 15th February prior to the relevant financial year. The Resource Management Committee will be considering the budget recommendations on 12th November 2018 and the Fire Authority will approve the budget on 10th December 2018.

6.2 The pay settlement for grey book staff has been agreed to be uplifted by 2.0% with effect from 1 July 2018 while negotiations continue to take place on a potentially longer-term deal. The budget is based on a 2% pay award assumption for the whole of 2018/19 and 2019/20. Any increases over 2% will need to be considered as unplanned pressures.

6.3 The Firefighter pension fund employers' contribution is forecast to increase from 18.7% to 28.3% with effect from 1st April 2019. The increase is estimated at £1.6m for MAWWFRS. This has not been factored into the budget requirement for 2019/20 nor the MTFP. It is anticipated that the increase in 2019/20 will be met by Her Majesty's Treasury via Welsh Government although no confirmation has been received yet. If this is not the case, the impact on Constituent Authorities' levy will be significant.

7 Equality and Diversity Including Welsh Language

7.1 Considered not relevant.

8 Human Resource and People Development

8.1 Considered not relevant.

9 Information and Communications Technology (ICT)

9.1 Considered not relevant.

10 Estates

10.1 Considered not relevant.

11 Service Delivery

11.1 Considered not relevant.

12 Fire Authority Governance

12.1 This report forms part of the budget setting process.

13 Consultation & Communication

13.1 The budget proposals and implications have been discussed at two Corporate Planning days held with members.

13.2 The budget requirement indication was approved by Fire Authority on 17th September 2018, and the Resource Management Committee on the 12th November 2018. The agreed budget will be sent to the Constituent Authorities for their observations, before final approval by the Fire Authority.

13.3 Details of the budget discussions were communicated to officers across the Service in the Chief Officer's memorandum no. 08/2018.

14 Evaluation

14.1 Considered not relevant.

15 Well-being of Future Generations (Wales) Act 2015

15.1 Considered not relevant.

16 Data Protection and Privacy Issues

16.1 The report does not include personal information concerning individuals.

17 Recommendations

17.1 The outline budget was presented to the Fire Authority meeting on 17th September 2018 where the recommendation to increase the budget by £1,179,000 (2.52%) was supported. The outline budget was also agreed by the Resource Management Committee on the 12th November 2018, and the report has been updated to reflect information on the provisional settlement to Local Authorities, the Medium Term Financial Plan, and the 5-year Capital Programme. The operational employees (grey book) pay award for 2018/19 has been included in the budget at 2% although remains subject to further negotiations at National level at this time.

The Resource Management Committee recommends that the Fire Authority formally supports the budget proposals set out, and: -

1. Agrees the assumptions for inflation, estimated pay awards and other commitments as set out in the Medium Term Financial Plan at Appendix A.
2. Agrees that the resulting budget requirement for 2019/20 would be a minimum of £47,987,670 with £47,817,670 falling on the Constituent Authorities and £170,000 falling on reserves (Appendix A).
3. Agrees that this would result in an increase of 2.48% on the Constituent Authorities.
4. Agrees the Capital Programme for the period to 2022/23 at Appendix B.

That the Fire Authority should acknowledge that the Medium Term Financial Plan is based on the assumption that the Firefighter pension fund employers' contribution increase will be funded in full by Her Majesty Treasury (via the Welsh Government), though should this not be the case the Fire Authority will

Mid & West Wales Fire and Rescue Authority Budget Requirement 2019/20 and Medium Term Financial Plan					
Budget Assumptions	2018/19 Budget £	2019/20 Budget £	2020/21 Indicative £	2021/22 Indicative £	2022/23 Indicative £
Budget Brought Forward	45,585,840	46,808,670	47,987,670	48,864,130	49,757,790
Total Budget	45,585,840	46,808,670	47,987,670	48,864,130	49,757,790
Pay Award 2%					
Whole Time Firefighters	411,783	398,680	410,050	418,250	426,620
Retained Fire-Fighters	112,325	139,680	142,480	145,330	148,230
Control	23,065	25,060	25,570	26,080	26,600
APT&C	104,038	112,940	115,200	117,500	119,850
Manual (2018/19 included Mechanics)	19,151	6,280	6,400	6,530	6,660
Inflation					
General Inflation on non-salary	156,468	161,360	176,760	179,970	183,220
Total inflation increase	826,830	844,000	876,460	893,660	911,180
Budget Pressures	836,000	335,000	0	0	0
Total Budget Requirement	47,248,670	47,987,670	48,864,130	49,757,790	50,668,970
Efficiencies	-440,000	0	0	0	0
Net Budget Requirement	46,808,670	47,987,670	48,864,130	49,757,790	50,668,970
Funded By					
Constituent Authorities Required	46,658,670	47,817,670	48,864,130	49,757,790	50,668,970
Reserves	150,000	170,000	0	0	0
BUDGET	46,808,670	47,987,670	48,864,130	49,757,790	50,668,970
Total Budget Increase	1,222,830	1,179,000	876,460	893,660	911,180
Percentage Increase Budget Requirement (inc Growth)	2.7%	2.52%	1.8%	1.8%	1.8%
Percentage Increase on Constituent Authorities (inc Growth)	2.7%	2.48%	2.19%	1.8%	1.8%

Revised Programme 2018/19 & Proposed Capital Programme 2019/2023

Appendix B

Scheme Description	Original 2018/19	Amended incl Slippage 2018/19	Revised 2018/19	Estimate 2019/20	Indicative 2020/21	Indicative 2021/22	Indicative 2022/23
Land & Buildings							
Minor Works / Steady State Maintenance	864,000	881,000	881,000	955,000	465,000	426,000	463,000
<u>Property Upgrades & Developments</u>							
Northern Area Development	1,600,000	1,600,000	500,000	1,100,000			
Machynlleth Collaboration Project	600,000	600,000	0	725,000			
Haverfordwest Upgrade				300,000			
Earlswood development				500,000	1,500,000		
Collaboration projects in Powys					950,000	1,300,000	
Total Land & Buildings	3,064,000	3,081,000	1,381,000	3,580,000	2,915,000	1,726,000	463,000
Infrastructure							
Hydrant Installations	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Total Infrastructure	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Vehicles							
Vehicles Replacement Programme	3,155,000	4,412,877	1,944,069	5,744,000	7,094,000	4,539,000	5,723,000
ICT Equipment							
Fleet Management Software		81,000	81,000				
ICT Hardware & Software	392,100	399,261	399,261	1,130,000	1,000,000	500,000	100,000
Firewatch & Transformation			81,600	75,000			
Operational Equipment							
Technical Equipment	1,185,500	1,239,603	1,207,603	439,000	28,000	28,000	34,000
Multifunction PPE		257,458	257,458				
Structural PPE				1,900,000			
Lightweight Fire Boots				240,000			
Operational Helmets					200,000		
BA Sets / Cylinders							250,000
Occupational Health Equipment		34,096	34,096				
Total Vehicles and Equipment	4,732,600	6,424,295	4,005,087	9,528,000	8,322,000	5,067,000	6,107,000
Total Capital Expenditure	7,831,600	9,621,295	5,421,087	13,143,000	11,272,000	6,828,000	6,605,000
To be Financed by Loan	7,831,600	9,591,125	5,280,837	11,957,250	11,011,250	6,267,250	6,544,250
To be Financed by Capital Receipts	0	0	0	125,000	200,000	500,000	0
To be Financed by Reserves	0	0	0	1,000,000	0	0	0
To be Financed by Contributions	0	0	84,140	60,750	60,750	60,750	60,750
To be Financed by Grants	0	30,170	56,110	0	0	0	0
Total Financing	7,831,600	9,621,295	5,421,087	13,143,000	11,272,000	6,828,000	6,605,000