

The report is Not Exempt

The report is for Decision

REPORT TO: FIRE AUTHORITY	MEETING DATE: 17
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September 2018

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

SUMMARY

<p>At the Corporate Planning days in July and August 2018, officers updated members on the indicative budget required for 2019/20. The assumptions were based upon known budget pressures, inflation increases and the provisional pay award under negotiation. The National pay award consultation for 2017/18 is still ongoing and there is no information available on the pay award for 2018/19.</p>
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<p>This report asks the Fire Authority to give early direction on the extent and nature of the budget for 2019/20.</p>
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RECOMMENDATIONS:

<p>It is recommended that the Fire Authority formally supports the 2019/20 budget requirement proposals as set out and that: -</p>
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| <ol style="list-style-type: none"> 1. the indicative budget proposal is validated for inflation, estimated pay awards and other commitments, 2. the resulting budget would be a minimum of £47,987,670, 3. £47,817,670 falling on the Constituent Authorities, an increase of £1,159,000 (2.48%), 4. £170,000 will be funded from the Levy Equalisation Earmarked Reserves. |
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REPORT APPROVAL

Clerk/Monitoring Officer:	Comments: Approved Date: 10.09.18
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Relevant Director:	Comments: Approved Date: 10.09.18
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Section 151 Officer /Treasurer:	Comments: Approved Date: 11.09.18
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Chief Fire Officer/ Deputy Chief Fire Officer	Comments: Approved Date: 11.09.18
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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	06/09/2018

Mae'r Adroddiad Heb ei eithrio

Mae'r Adroddiad AR GYFER PENDERFYNIAD

ADRODDIAD I'R: AWDURDOD TÂN

**DYDDIAD Y CYFARFOD : 17
September 2018**

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

CRYNODEB:

Yn ystod y diwrnodau Cynllunio Corfforaethol ym misoedd Gorffennaf ac Awst 2018, aeth y Swyddogion ati i roi'r wybodaeth ddiweddaraf i'r Aelodau am y gyllideb ddangosol sy'n ofynnol ar gyfer 2019-20. Roedd y tybiaethau yn seiliedig ar bwysau hysbys ar y gyllideb, cynnydd o ran chwyddiant, a'r dyfarniad cyflog dros dro sy'n cael ei drafod. Mae'r ymgynghoriad ar y Dyfarniad Cyflog Cenedlaethol ar gyfer 2017-18 yn parhau, ac nid oes unrhyw wybodaeth ar gael am y dyfarniad cyflog ar gyfer 2018-19. Mae'r adroddiad hwn yn galw ar yr Awdurdod Tân i roi cyfarwyddyd cynnar o ran maint a natur y gyllideb ar gyfer 2019-20.

ARGYMHELLION:

Argymhellir y dylai'r Awdurdod Tân gefnogi'n ffurfiol y cynigion ar gyfer gofynion cyllideb 2019-20, fel y'u nodir, a hefyd:

1. bod y gyllideb yn cael ei dilysu ar gyfer chwyddiant, dyfarniadau cyflog amcangyfrifedig, ac ymrwymadau eraill,
2. bod y gyllideb ganlyniadol yn £47,987,670 o leiaf,
3. gyda £47,817,670 yn mynd i'r Awdurdodau Cyfansoddol, sef cynnydd o £1,159,000 (2.48%), a
4. bod £170,000 yn cael ei ariannu o'r Cronfeydd wrth Gefn ar gyfer Cydraddoli Ardollau.

CYMERADWYO'R ADRODDIAD

Clerc: Sylwadau: Cymeradwywyd
Dyddiad: 10.09.18

Cyfarwyddwr: Sylwadau: Cymeradwywyd
Dyddiad: 10.09.18

Cyllid/Trysorydd: Sylwadau: Cymeradwywyd
Dyddiad: 11.09.18

**Prif Swyddog Tân /
Dirprwy Brif
Swyddog Tân** Sylwadau: Cymeradwywyd
Dyddiad: 11.09.18

PAPURAU CEFNDIR A DDEFNYDDIWYD 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 Chris Moore, S151 Officer
Dyddiad yr ysgrifennwyd yr adroddiad gwreiddiol	06/09/2018

**REPORT TO THE FIRE AUTHORITY
17TH SEPTEMBER 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 At the Corporate Planning days in July and August 2018, officers updated members on the indicative budget required for 2019/20. The assumptions were based upon known budget pressures, inflation increases and the provisional pay award under negotiation. The National pay award consultation for 2017/18 is still ongoing and there is no information available on the pay award for 2018/19.
- 1.2 This report asks the Fire Authority to give early direction on the extent and nature of the budget for 2019/20.

2 National/Wales Position

- 2.1 Not considered relevant.

3 Mid and West Wales Fire and Rescue Service Current Position

3.1 Introduction:

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.

This report seeks to formalise the discussions at the Budget Corporate Planning days by asking members to make early decisions on the extent and nature of the budget for 2019/20, based on the information available at that date.

3.2 Financial Background:

The Welsh Government usually announces the Local Government Finance Settlement in October each year followed by final settlement in December. The dates of the provisional and final settlement are not confirmed at this time. The timings fit with the Fire Authority's timetable of meetings, the Resource Management Meeting being on the 12th November 2018 and the Fire Authority on the 10th December 2018.

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

4 Proposal

4.1 Three proposals were presented to members at the Corporate Planning days.

4.2 Option 1 –

Represents no change in service delivery, no degradation of service to the communities of Mid & West Wales. The impact is an increase of £844k for pay award and price inflation. Reserves would also have to be used to support recurrent unavoidable pressures to fund the shortfall. (see 4.5 below).

4.3

Option 2 –

A flatline cash budget which would impact on operational response and require the Authority to make cuts of £1,179 k to fund the pay and prices inflation.

4.4

Option 3 –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.

4.5

2019/20 Budget Pressures	£000	£000
Pay and prices inflation		844
Shift Change	170	
Domestic Homicide review	20	
HMRC Officer Vehicles	45	
Airwave	100	335
Total pressures		1,179

4.6

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 2018/19. 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.

4.7

The Chief Fire Officer continues to make presentations to the Constituent Authorities in turn to outline the importance of the service provision, and to highlight the value for money currently being obtained. These are useful to outline the implications for both FRA service delivery and the impact on Local Authority services if extensive reductions in budget are made. Consistently the Constituent Authorities do not want to see a

reduction in Fire and Rescue Service provision in their Council area. Members are 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.

4.8

The balance on Usable Reserves at the end of the 2016/17 financial year was £8.995m. The unaudited 2016//17 Statement of Accounts are being presented to Fire Authority in September 2018. Work will then commence on the 2017/18 Statement of Accounts and although no significant change to reserves levels is anticipated this needs to be considered as part of setting the budget for 2019/20 and reviewing the adequacy of reserves.

4.9

A breakdown of the Earmarked Reserves as at 31st March 2017 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 investments. An initial review of reserves has concluded reserves are adequate to manage change and retain adequate reserves for operational management.

	Reserve 31st March 2017 £000
General Fund Balance	361
Earmarked Reserves:	
Invest to Save Fund	1,164
Minimum Revenue Provision	648
Capital Fund	1,000
Major Incidents	400
Fundraising & Ring-Fenced reserve	422
Levy Equalisation Reserve	1,000
Software & Communications	1,500
Risk Management	500
Managing Change – Employees & Pensions	2,000
	8,995

4.10

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:
- The National pay awards 2% for all staff. Pay negotiations dating back to July 2017 are still ongoing and increases above 2% will create a further budget pressure,
 - Prices inflation increases to include fuel, utilities, contracts are based on CPI and known increases (average 2.6%).
- 5.3 The current year budget is reporting pressures due to additional costs relating to Airwave because of insufficient funding from Welsh Government. There is an additional cost pressure relating to legislation changes, shift changes & officer vehicles.
- 5.4 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 yet to be agreed between the Fire Brigade's Union and the Employers. The budget is based on 2% pay award assumptions for 2017/18, 2018/19 and 2019/20. Any increase over 2% will need to be considered as an unplanned pressure.

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 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 It is recommended that the Fire and Rescue Authority formally supports the 2019/20 budget requirement proposals as set out and that: -

1. the indicative budget proposal is validated for inflation, estimated pay awards and other commitments,
2. the resulting budget would be a minimum of £47,987,670,
3. £47,817,670 falling on the Constituent Authorities, an increase of £1,159,000 (2.48%),
4. £170,000 will be funded from the Levy Equalisation Earmarked Reserves.