

<b>REPORT TO THE FIRE AUTHORITY</b>	
<b>DATE:</b> 24 <sup>th</sup> September 2007	<b>REFERENCE:</b>

<b>SUBJECT:</b> To receive a letter in response to the 3 year settlement consultation from the Assembly
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<b>SUMMARY:</b> The attached letter was sent to the Assembly by the deadline of 12 <sup>th</sup> September 2007
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OBJECTIVES		IMPLICATIONS	
Trusted & Respect		Operational Risk Management	
More than Emergencies		Community Risk Reduction	
Saving Lives, Protecting Communities		Training & Development	
Managing within Budget	yes	Civil Contingencies	
Improving Efficiency	yes	Finance & Procurement	yes
Resources to Priorities	yes	H.R.	
Alternative Resources	yes	ICT	
Managing People		Corporate Services	
Integrated Management Planning		Transport	
Partnership Working		Health & Safety	
Effective & Empowered People		Premises	
Sustainability & the Environment		Welsh Language	
Governance	yes	Legal	

<b>COMMENTS/OBSERVATIONS:</b> The 3 year settlements will affect the level of resources distributed to individual authorities
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<b>RECOMMENDATIONS:</b> That the letter be received
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<b>BACKGROUND PAPERS USED IN PREPARATION OF THIS REPORT:</b> Consultation document
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Dear Mr Hay,

**PROPOSED ARRANGEMENTS FOR 3 YEAR REVENUE AND CAPITAL SETTLEMENTS FOR LOCAL AUTHORITIES IN WALES**

Thank you for your letter of 25<sup>th</sup> July regarding the above, and for the opportunity to comment. Whilst the Fire and Rescue Service in Wales will not directly be receiving Revenue and Capital Settlements it will be expected to follow the same guidelines as local authorities and the consultation is therefore of interest.

It will also be appreciated that the detailed consultation took place some time ago and as such the Local Authorities in our Fire Authority area will already have expressed their concerns. This is therefore from our perspective a fine tuning exercise. There is also a distinction between the short term and the longer term aims and the authority assumes that there will be further consultation on how well the first phase has been effected.

In summary, this authority is in broad agreement with your aims of forward planning for both revenue and capital and indeed is encouraged to adopt such an approach by the Prudential Code. However there are a number of practical difficulties which have to be overcome in order to achieve an ultimate objective which is presumably the setting of 3 year Council Tax levels.(although this is not clearly stated in the consultation). The Key points the authority would make are reiterations, however it is necessary to make these views clear.

1. Successful implementation of 3 year settlements with presumably the aim of 3 year budgeting is very much dependent on full information being provided from all external sources and relies on the full cooperation and integration of a number of public sector organisations including the Health Service, Ambulance Service, Welsh Assembly Government Departments and other potential partners. This is particularly true in these times where partnering and collaborative ventures are expected to be considered at every opportunity. However there can only be full integration if potential partners are also planning on a 3 year basis, including planning for, and receiving information on, Assembly and other grants and funding levels. Otherwise these arrangements are made more difficult if not impossible without varying the level of budget for individual later years.
2. In the short term , although the formula is fixed in the second year, the authority sees very little difference in the potential effects on the budgeting process because the data is variable and so funding is not certain. Also in the long term the reality is that because the third year is always going to be indicative due to the uncertainty of the content of the following Comprehensive Spending Review (CSR) which is announced every two years, the ultimate aim can only be to fix budgets for 2 years.
3. There are issues with 3 year settlements in terms of ‘new burdens or responsibilities’. At present it is difficult for the Fire and Rescue Service to plan for one year ahead let alone three – for example the authority is not clear currently on the potential arrangements for Firelink, New Dimensions and Long Term Capability Management, and a number of other areas already discussed with the Assembly. It is likely that every year there will be

new issues to deal with. Will the settlement be adjusted for such new responsibilities? The budget cannot be fixed if that is so, unless there is more hypothecation of grants and not less as you allude to in the consultation document.

4. The same difficulties apply to inflation and pay award levels which may be greater than anticipated – will there be an adjustment if these are significantly greater? Equally there will almost certainly be other issues outside the control of this authority.
5. There may be a real issue with fixing the data for 2 or 3 years in areas where population is always increasing relative to others and where those authorities will constantly be losing out. Already it has become apparent that those authorities are disadvantaged by adjusting census data only every 10 years, thus any estimating has to be demonstrated to be robust. It has also to be recognised that although the fixing of data may mean that Settlements can be fixed, the budgets will need to be adjusted for actual events – for example if there are more people then more Home Fire Safety Audits (HFSA's) will need to be carried out, so again this may mean a necessary change in budget levels for individual later years. This Authority believes that the fixing of the formula is more acceptable than fixing the data, unless there are significant necessary changes for example as happened with the new fire-fighters pension scheme.
6. Your point regarding the increasing emphasis by the Assembly on Asset Management Plans as part of the 3 year settlement process is noted and the Authority is already attending to this issue.
7. The Authority is interested in the mechanism for determining the strategic outputs to be identified and agreed with the Welsh Assembly Government, and if this applies to the Fire and Rescue Services. Are you referring to the Performance Incentive Grant here?
8. In terms of Hypothecated grants, we would argue that there are very good reasons why certain issues are best dealt with through this mechanism. For example there are distributional difficulties with Firelink, and the Long Term Capability Management costs previously discussed are subject to national (uk) standards which have to be maintained and support teams are structured within certain Authorities on behalf of others. This means that for these services mainstreaming their funding would lead to inequitable distribution.

Some of the above observations are assuming that 3 year budgeting is the eventual aim. If this is put aside it is clear that the proposals could assist in the longer term (from 2010 onwards) to establish a firmer picture for individual authorities of the funding coming from the settlements, at least for one more year than at present, if some of the above difficulties can be overcome. It is also clear however that the funding even then will not be absolutely cast iron, as new burdens and pay awards etc could be added.

Even if these could be cast iron, the point that should be stressed again however is that for Authorities to budget for 2 years with the same degree of certainty very many things have to come together re all sorts of funding sources and forward planning by all sorts of organisations, and this Authority believes that this is the real challenge.

Yours Sincerely  
E.A. Aitken  
Director of Finance and Procurement