

REPORT TO THE FIRE AUTHORITY	
DATE: 24 th September 2007	REFERENCE:

SUBJECT: To receive an Update on the Budget Process
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SUMMARY: This report updates members on the local and national issues affecting the budget process
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OBJECTIVES		IMPLICATIONS	
Trusted & Respect	yes	Operational Risk Management	yes
More than Emergencies	yes	Community Risk Reduction	yes
Saving Lives, Protecting Communities	yes	Training & Development	yes
Managing within Budget	Yes	Civil Contingencies	yes
Improving Efficiency	yes	Finance & Procurement	yes
Resources to Priorities	yes	H.R.	yes
Alternative Resources	yes	ICT	yes
Managing People	yes	Corporate Services	yes
Integrated Management Planning	yes	Transport	yes
Partnership Working	yes	Health & Safety	yes
Effective & Empowered People	yes	Premises	yes
Sustainability & the Environment	yes	Welsh Language	yes
Governance	yes	Legal	yes

COMMENTS/OBSERVATIONS: The budget process affects all areas of the service
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RECOMMENDATIONS: To receive the report
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BACKGROUND PAPERS USED IN PREPARATION OF THIS REPORT: National and local communications

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**Joint Report of the Chief Fire Officer and the Director of Finance and Procurement
to the Fire Authority on 24th September 2007**

Budget update

Background

This report updates the report to the Fire Authority of 25th June 2007. It outlines the issues that will affect the budget setting process for 2008-11, the next 3 year budgeting period for the Authority.

Introduction

As previously stated, the Chancellor's Comprehensive Spending Review (CSR) is a key piece in the budget setting jigsaw and has this year been delayed from the usual July to a mid October announcement. This may very possibly delay the WAG Revenue Support Grant (RSG) provisional settlement to mid November and subsequently affect the budget timetable. In any event the Constituent Authorities have to be formally consulted on the Authority's proposed budget before the end of December 2007, even though the final settlement is unlikely to be announced before the New Year.

Early indications from the WLGA are that the CSR will include increases in the settlement for local authorities of between 1.5% and 2.7%, after certain specifics have been deducted. This percentage is net of anticipated efficiencies.

The Fire Service Pressures Report has now been presented to the national WAG/WLGA Consultative Forum on Finance (CFF) which included the Local Government Minister at the time, and a further meeting of this forum is scheduled for 4th October 2007. The Director of Finance and Procurement represents the FRA Treasurers on this forum.

As previously mentioned, senior officers have met with the Constituent Authority Treasurers and are due to meet them again in early October to provide an update.

Members will recall that there will be a requirement this year to budget for the 3 years 2008-2011. It is likely that year 2 and 3 will remain as indicative budgets as the data and formula for the settlements for these 2 years will be changing and it is not clear what will happen to grants. A new CSR will be announced for the 3 years from 2010-11, and again this will have implications for available resources. There are also uncertainties as to new responsibilities and changes in service delivery requirements currently not known. It is clear therefore that there should be a 'health warning' regarding the level of these budgets. This will be discussed with the Treasurers at the October meeting.

Update on Previously reported issues

The following are re-iterations of the points made in the previous report. Some have updates as outlined:-

(1) Previously was reported a projected increase in the budget requirement for 2008/09 of 4.1% on a 'like for like' basis over that for 2007/08, merely from the re-pricing of the 2007/08 budget and for items already committed. Because of the impact of withdrawing the £1.4m contribution from the Pensions Provision, the cash increase would equate to 7.7%.

Because of the fact that the July 2007 pay award came in at 2.4%, compared to the budgeted 3%, the percentages are now 3.9% and 7.6% respectively.

- (2) The potential costs of Firelink at £2-3m per annum across Wales. The financial implications are still not clear either in terms of national costings or for individual authorities. However we are making the case to the Assembly for this expenditure to be top sliced due to the difficult distributional issues.
- (3) Resilience work to the 3 control rooms in Wales, £2 million capital and £150k revenue for the first 3 years, plus £50k consultancy costs. In addition to this Mid and West Wales would require approximately £70,000 for local works and £25,000 for training of staff in the new VISION system. Discussions are taking place with the Assembly as to potential grant funding outside of the Revenue Support Grant process.
- (4) New Dimensions/Long Term Capability Management. Across Wales an assessment of £4-6million per annum. Again we are making a case to the Assembly for top slicing this from the RSG settlement due to the need to maintain a national standard and because of the difficulties in distribution. There is uncertainty however whether this will take place in 2008/09 or 2009/10.
- (5) Additional costs from the change in firefighter pensions funding are
 - (1) Retained employers contributions, at approximately £350k based on the current year but may well increase as take up increases. Although this is effectively a commitment, members may well feel that this could be taken from the Pensions provision for both 2007/08 and 2008/09 and mainstream this into the revenue account from 2009/10 onwards. If not then this would add a further 0.8% to the budget increase.
 - (2) Ill health and injury pensions will increase, although uncertain as to amounts, Some work will need to be undertaken to establish trends. Again members may wish to fund this from the Pensions provision, mainstreaming this after the figures are known.

- (6) There is still an assumption at this stage that grant funding will continue at the same level as previously or that where grant funding comes to an end that this is transferred into the settlement. The situation will not be certain until the settlement is announced, and whether we will know the 2009/10 and 2010/11 position is yet to be seen.
- (7) There are ongoing pressures from last years Expenditure Sub Group Fire Pressures report – these are Rank to Role, Community Fire Safety legislation and resources to support a new method of remunerating the retained personnel. Costs of these depend on the extent and nature of decisions made, however while the retained remuneration could be phased in, the work undertaken within the review group indicates that the cost of a workable scheme could be as much as £1.8 m per annum.
- (8) Integrated Clothing Project (Firebuy) – a potential requirement of £150k more than is currently provided for in the budget. Discussions are taking place re collaboration across Wales to minimise costs.
- (9) Working at Height legislation – Equipment and Training, an additional £30k required each year.
- (10) Continuous Professional Development payments – meant to be self funded from the removal of Long Service Increments (LSI) payments. There is potential for the CPD costs however to exceed those for LSI , depending on the eligibility of staff.
- (11) Additional Responsibility Allowance – additional costs, amount not clear
- (12) Defibrillators/co-responding and training – additional costs relating to Personal Protective Equipment (PPE) which is appropriate for this type of work and training for the increased activity in this area of work
- (13) Civil contingencies, business continuity, Operational assurance, non operational assurance and WPI – this is to comply with legislation as a category 1 responder. There are significant additional demands to ensure resilience in this area, and unlike Local Authorities no additional funding has been provided. A cost of £100,000 is estimated and a report will be presented to members specifically on this issue, together with some proposals for part funding.
- (14) Loss of interest on the Elective Pensioners Provision as the provision is depleted – up to £75,000
- (15) The cost of recruitment courses in 2008/09, 2009/10 and 2010/11, potentially at £100,000 for each of these years.

(16) As outlined in the budget report last year, the reduced budget levels would have implications on future years. The budget for 2007/08 allowed the Authority to make some progress with only the highest priorities of the Risk Reduction Plan (RRP) for 2007/10. Many items remain unfunded and these will be consolidated in the next few weeks.

(17) Members attention should be drawn to other issues that have also been raised as requiring attention in the 3 year budget period :-

- (a) Sustainability and the environmental agenda.
- (b) Potential legislation giving a wider rescue role
- (c) Fire investigations
- (d) Research into societal factors leading to fires
- (e) Training and Development
- (f) Fire Stations/DDA/Equal Opportunities/Improvements
- (g) Match Funding for Making the Connections Fund and other initiatives
- (h) E- Government and Business Systems Software
- (i) Broadband
- (j) E –Fire operability (tying into Wales’s legislation compliance)
- (k) E – learning in support of the National Workforce Development Strategy
- (l) Age Discrimination legislation
- (m) Management of sickness and ill health, and other HR issues

There may well be other demands forthcoming from departments in light of developments over the last year and these will be drawn out over the next few weeks. Also to be consolidated over the next few weeks is the work undertaken during the summer which looked at the potential efficiencies within the base budget.

Summary

The extent of the overall increase in net budget requirement is dependent on a number of factors still to be determined, however the most important of these is the level of Revenue Support Grant settlement and the extent of specific Standard Spending Assessment (SSA) allocation to the Local Authorities on behalf of the Fire and Rescue Authorities.

Members will see that demands on resources are extensive. The constituent authorities have been engaged at an early stage and officers intend to maintain these communications over the budget period.