

**AWDURDOD TÂN AC ACHUB CANOLBARTH A GORLLEWIN  
CYMRU**



**MID AND WEST WALES FIRE AND RESCUE AUTHORITY**

**CYFARFOD O'R PWYLLGOR ADNODDAU  
MEETING OF THE RESOURCES COMMITTEE**

**DYDD LLUN, 26 TACHWEDD 2007**

**MONDAY, 26 NOVEMBER 2007**

***PENCADLYS Y GWASANAETH TÂN  
HEOL LLWYN PISGWYDD, CAERFYRDDIN  
FIRE SERVICE HEADQUARTERS,  
LIME GROVE AVENUE, CARMARTHEN***

**11.00am – 12.20**

**PRESENOLDEB/ATTENDANCE**

Presennol yn y Cyfarfod/Present at Meeting:

IS-GADEIRYDD/VICE CHAIRMAN: C Morgan

AELODAU/MEMBERS: Cyng/Cllrs: J Allen-Mirehouse, G  
Phillips, T E Evans, J D A Thompson,  
D C Prothero, T Theophilus,  
Mrs P Spender, G Seabourne

YMDDIHEURIADAU/APOLOGIES: Cyng/Cllrs: Mrs J Dudley, J J J Davies,  
C Waller, Mrs C Philpott,  
Mrs T Devichand

YN BRESENNOL /IN ATTENDANCE: D Mackay, R Smith, A Howells,  
E Aitken

**1 DECLARATION BY MEMBERS OF ANY PERSONAL INTEREST**

None were declared

**2 TO CONFIRM AS A CORRECT RECORD THE MINUTES OF THE MEETING HELD ON 16 JULY 2007**

The minutes of the meeting held on 16<sup>TH</sup> July 2007 were received and confirmed as a true record.

**3 TO RECEIVE THE BUDGET REPORT 2008 /2009 – JOINT REPORT OF THE CHIEF FIRE OFFICER AND THE DIRECTOR OF FINANCE AND PROCUREMENT**

The Chief Fire Officer provided Members with an overview of the Authority's position in setting the budget for 2008/2009 and of the pressures on the Authority. Some of these pressures flowed from the new roles and responsibilities for the Service, and some resulted from external imposition and changes, in particular to the arrangements for funding Firefighter pensions. The changes to pension arrangements, including the new responsibility to fund employers contributions to the Firefighter Pensions Scheme (which retained firefighters now had access to) added on its own nearly 2% to the revenue budget requirement for 2008/2009. This was required to be set in the context of an overall settlement of 2.2% for all elements of the budget.

It was noted that a number of new responsibilities had been partially or fully funded through internal re-alignment and efficiencies. This included aiding compliance with the Authority's responsibilities under the Civil Contingencies Act 2004, the ongoing move to full rescue capability on front line appliances, and a wide range of educational and preventative activities.

Members were assured that in view of this year's tight settlement, combined with the lack of funding provision to meet the new pensions liabilities had meant that every avenue continued to be explored for efficiencies, with each budget head being challenged by budget holders.

Members were informed that the Provisional Settlement announcement for 2008/09 was the worst since the devolution of the Fire Service to the Welsh Assembly Government and for Local Authorities was the worst since devolution. The Indicative budget put forward for consideration attempted to allow some progress with the Risk Reduction Plan 2007/10 but because of the likely resources available would be severely limited in its proposals. Two meetings with the Local Authority Treasurers had already taken place with a further meeting arranged for the 29<sup>th</sup> November.

Members were aware that in agreement with the Local Authorities, the cash call on the budget in 2007/08 had been significantly reduced by a one off contribution from the Pensions Provision to compensate Local Authorities for the Pensions funding changes. This had been done because the constituent

authorities were facing budget difficulties being the third year settlement within the extended Comprehensive Spending Review period, expecting a better settlement in 2008/09. The effect of this as highlighted within last years budget report, was to add a further 3.5% to any like for like budget increase agreed by the Authority for 2008/09.

The Director of Finance and Procurement reported that the Provisional Settlement allowed for a general increase in Aggregate External Funding (AEF) of 2.2% and that this percentage was net of expected efficiencies and, when specific grants were added, the settlement increased to approximately 3%. The SSA increase for the Fire Service over the 2007/8 budget levels was marginally more than the general settlement at 2.4%. It was noted that whilst the Assembly had given an indication of the potential settlements for the following 2 years, the 3 year settlement levels were still subject to change and were thus indicative only.

Additionally, from April 2006, retained employees had been eligible to enter the New Fire-fighters Pension Scheme and although the final extent of likely take-up was not yet known, based on the 2007/08 indications, it was anticipated that a minimum cost in 2008/09 would be £350k with a potential, should all retained personnel enter the scheme, of an annual employer liability of over £700,000. Following the changes in the funding arrangements for pensions, costs of ill health and injury awards would fall on the Fire Service Revenue Account with a projected cost for 2008/09 of £395k, increasing by a further estimated £222k in 2009/10.

The Director of Finance and Procurement outlined a number of assumed factors, which together with the Pensions issues, enabled a validated budget for 2008/09 to be produced, which gave rise to an increase of 4.8% over the 2007/08 budget. Excluding the Pensions costs this would be a 3% increase. A number of additional pressures, net of efficiencies were also put forward to Members for consideration which brought the like for like increase in the budget to 4.96%. Excluding the change in Pensions funding issues, the increase would be 3.15%.

Members were fully aware that a great deal of work had been carried out by officers prior to the report being presented to Committee and were informed that there were a number of pressures in addition to those discussed that had been excluded from the report because of the financial restrictions.

The Director of Finance and Procurement had discussed with the six Treasurers the potential for using the Elective Pensions Provision to cover the costs of the retained employers contribution costs until the budget requirement for this liability could be levelled out. There was therefore the potential for reducing the call on the budget by 0.85%. The Chief Fire Officer had also written to the Directors of Finance to request approval for the conversion of the Pensions Provision into reserves. This would not only allow flexibility over financial years but also with the uncertainty over pay awards would give the Authority a buffer giving less likelihood for a supplementary levy. In this period of severe financial

restrictions this would also allow the Authority to be less cautious in its estimating of pay awards and inflation, and would allow the Authority to release the contingencies inbuilt into the budget. A reduction of 1% could be achieved on the budget increase in this case. Without reserves it would not be prudent for the Authority to consider such a move.

It was noted that both the other Fire and Rescue Authorities had reserves and the Director of Finance and Procurement had tentatively broached the issue with the Wales Audit Office who would be satisfied with the arrangement subject to the constituent authorities' approval.

Should both the above mechanisms be adopted, the increase in the budget on a like for like basis could be reduced to 3.1%, which still included a near 1% unavoidable pensions obligation impacting on the revenue budget.

Members recognised the hard work carried out by Officers in preparing the budget report and of the great constraints that they had to work within. Members highlighted the severe financial constraints within their own local authorities and indicated that they could not approve an increase in the Fire Authority budget which was at a level that was higher than that set within their own constituent authorities.

As the three Chairs and Chief Fire Officers of the Fire and Rescue Authorities were meeting with the Minister, Dr Brian Gibbons, on 28<sup>th</sup> November and a meeting with the six unitary authority Treasurers would be taking place on 29<sup>th</sup> November, it was suggested that another meeting of the Resources Committee be arranged for Monday 3<sup>rd</sup> December following the outcome of these meetings.

## **RESOLUTION**

*It was RESOLVED that*

*A further meeting of the Resources Committee be held on Monday 3<sup>rd</sup> December 2007 at 9.30am in order to further discuss the 2008/2009 Budget*

### **4 TO RECEIVE THE BUDGET MONITORING REPORT FOR THE FINANCIAL YEAR 2007-08**

#### **Revenue Monitoring Report for the period 1<sup>st</sup> April to 31<sup>st</sup> October 2007**

The report compared expenditure to date with the 2007/08 Budget, profiled for 7 months. Expenditure to date was the actual expenditure recorded on the financial ledger and commitments recorded in the ledger by the new procurement system.

On this basis, a current under spend of £324k was shown by the report. However, the current under spend would be eroded during the year because the new procurement system had only just come into operation and there was a small back log of commitments that had not yet appeared on the

ledger. In addition the profiling did not take account of seasonal variations in spending as expenditure tends to be greater in the later months of the financial year.

In 2007/08 there had been a change in the way that Fire Fighter pensions were accounted for and the new scheme had resulted in an employer contribution now being charged against the revenue budget. This contribution, along with employee contributions and any other pension income were taken to a separate pension fund. Pensions and other pension expenditure were paid out of this Fund and any balances on the fund were made good by, or paid over to the Welsh Assembly. However injury awards and ill health allowances were outside this scheme and had to be funded from revenue. Retained Duty Staff were now eligible to join the pension scheme with a resultant increase in employer contributions and the level of take up and the increase in costs could not be predicted with any certainty.

The under spend currently predicted would provide a buffer against these costs, with any balance at year end taken to a reserve.

### **Capital Monitoring Report for the period 1<sup>st</sup> April to 31<sup>st</sup> October 2007**

The report summarised the expenditure and financing of capital projects to date in comparison with the Approved Capital Programme.

#### **Prudential Indicators**

It was noted that capital financing was within the limits set by the Prudential Indicators.

#### **RESOLUTION**

*It was RESOLVED that the reports be received and noted*

#### **5 TO RECEIVE THE 2008 INSURANCE RENEWAL UPDATE REPORT**

Consideration was given to a progress report on the Authority's Insurance Renewal strategy for the 2008 – 2011 years where it had been agreed that the Authority would tender for both the Fleet Insurance Policy and the Combined Liability Policies during this term so that they could commence cover as of the 1<sup>st</sup> April 2008.

#### **RESOLUTION**

*It was RESOLVED*

*The Insurance Progress Report be received and noted*

#### **6 TO RECEIVE A REPORT ON THE STRATEGIC PROCUREMENT GROUP**

A report on the formation of the Strategic Procurement Group together with minutes of the first meeting and terms of reference was presented to Members for consideration. Committee were asked to nominate a member champion to sit on the group and it was suggested that this could be the Chair or Vice Chair of the Resources Committee.

## **RESOLUTION**

*It was RESOLVED that*

*The Chair or Vice Chair of the Resources Committee be nominated to serve on the Strategic Procurement Group*

### **7 TO RECEIVE A REPORT ON THE CIPFA CONFERENCE ATTENDED BY CLLR J J J DAVIES**

A report from Cllr Jim Davies on his attendance at the CIPFA Conference 2007 was received by Members. It was noted that the Conference was one of the largest events in the public services calendar and was a professionally staged and delivered event with distinguished speakers. This was not only relevant for Public Services in Wales but was also relevant for the Fire Service in Wales. It was therefore recommended that the CIPFA conference be added to the standing list of conferences.

## **RESOLUTION**

*It was RESOLVED that*

*the CIPFA conference be added to the standing list of conferences.*

### **8 TO RECEIVE A REPORT ON THE RURAL CONFERENCE ATTENDED BY CLLR T E EVANS**

This year's Local Government Association's Rural Commission and Annual Conference was held at the Riviera Conference Centre, Torquay and the Vice Chair Councillor T E Evans attended on behalf of the Fire Authority.

## **RESOLUTION**

*It was RESOLVED that the report be received and noted*

**AWDURDOD TÂN AC ACHUB CANOLBARTH A GORLLEWIN  
CYMRU**



**MID AND WEST WALES FIRE AND RESCUE AUTHORITY**

**CYFARFOD O'R PWYLLGOR ADNODDAU  
MEETING OF THE RESOURCES COMMITTEE**

**DYDD LLUN, 3 RHAGFYR 2007**

**MONDAY, 3 DECEMBER 2007**

***PENCADLYS Y GWASANAETH TÂN  
HEOL LLWYN PISGWYDD, CAERFYRDDIN  
FIRE SERVICE HEADQUARTERS,  
LIME GROVE AVENUE, CARMARTHEN***

**9.30am – 10.30am**

**PRESENOLDEB/ATTENDANCE**

Presennol yn y Cyfarfod/Present at Meeting:

CADEIRYDD/CHAIRMAN: J J J Davies  
IS-GADEIRYDD/VICE CHAIRMAN: C Morgan

AELODAU/MEMBERS: Cyng/Cllrs: J Allen-Mirehouse, Mrs T Devichand, Mrs J Dudley, T E Evans, J D A Thompson, D C Prothero, T Theophilus, Mrs P Spender, G Seabourne, C Waller

YMDDIHEURIADAU/APOLOGIES: Cyng/Cllrs., Mrs C Philpott, G Phillips,

YN BRESENNOL /IN ATTENDANCE: Cyng/Cllr C Crowley, D Mackay, R Smith, A Howells, E Aitken

## **1 DECLARATION BY MEMBERS OF ANY PERSONAL INTEREST**

None were declared

## **2 TO FURTHER CONSIDER THE BUDGET REPORT 2008 /2009**

Members were reminded that the Special meeting of the Resources Committee had been convened at Members request following the meetings of the three Chairs and Chief Fire Officers with the Minister and of Senior Officers with the six Treasurers of the Constituent Authorities.

The meeting with the Minister for Social Justice and Local Government took place on 28<sup>th</sup> November 2007 and the main agenda item concerned the budget settlement for 2008/2009. The Minister was in receipt of a letter that had previously been sent from the Chairs of the three Fire Authorities which laid out the shared concerns of the three Authorities, particularly in relation to the impact of the changes to Firefighters' pensions and the impact of the Firelink Scheme. Whilst the Minister listened carefully to the presentations made to him, he gave no commitment concerning additional government grant. He did, however, recognise that the issue required further discussion for both this and subsequent years and there would be further discussion between the three Directors of Finance and Assembly Government officials.

The Chief Fire Officer, The Director of Finance and Procurement, The Director of Service Delivery and The Clerk to the Authority met with the Constituent Authority Treasurers on 29<sup>th</sup> November 2007. The Treasurers outlined the serious financial difficulties being faced in the Unitary Authorities due to the level of the settlement for 2008/09. They confirmed that the majority were also not attempting to budget for 3 years but were concerned with 2008/09 only and were seeking solutions for that year.

A letter had been written to the Treasurers to request their approval for converting the remainder of the Elective Pensioners Provision to various reserves, after certain pensions commitments were funded from the provision as planned. This had been discussed with the Wales Audit Office who were satisfied subject to the agreement of the Local Authorities. The Treasurers acceded to this request in principle; however the level of the reserves had yet to be agreed.

It was noted that one of the many reasons for requesting reserves was to allow the Authority to be less cautious with certain aspects of the budget. This included the potential of reducing the level of fire-fighters pay award assumed from 3% to 2.5%, allowing no inflation on all non pay items except fuel, utilities and premises costs, the removal of the £100k contingency within the budget, and allowing the funding of all capital schemes by loan, rather than utilising the revenue account, thus releasing £110k. These methods of reducing the budget increase could now be considered. The reductions totalled £400k, nearly 1% of the budget and would bring the budget increase down from 4.96% to broadly 4%.

The report to the Resources Committee on 26<sup>th</sup> November had outlined potential proposals to fund the £350k retained employer's contributions from the Pensions Provision. This would reduce the overall budget increase by 0.85%. but Members were reminded that this increase would then manifest itself in the 2009/10 budget, and there was potential for the figure to increase by a further £350k, thus causing a potential increase in 2009/10 of 1.7%. In the short term however this option would reduce the 2008/09 budget by a further 0.85% to 3.1 %.

The Treasurers felt however that due to the loss of the Fire SSA in 2007/08 of near £1.4 million and because of the general difficulties caused by the level of the 2008/09 settlement, there was a need to reduce the 2008/09 budget by a greater sum, and asked if anything further could be financed by the Pensions Provision. There was a further £395k pensions costs that could be charged to the Pensions Provision which would reduce the call on the revenue budget by a further 1% to 2.1%. Members were reminded that this would also come through in the 2009/10 budget round thus causing a total potential percentage increase on top of the normal budget increase of 2.7%.

The Service had written to the Minister regarding the pensions issue, and should the Assembly acknowledge the increase in the 2008/09 budget by the allocation of SSA s to the Local Authorities, the intention would be to bring both the pensions adjustments back into the revenue account. Officers had further assisted the Local Authorities by providing information so that they could make representations to the Assembly together with the Fire Service on the loss of the 2007/08 SSA. The issue had been raised at the all Wales Treasurers group held on 30<sup>th</sup> November 2007 which Assembly Finance officials attended who acknowledged the difficulties faced by the Service.

The Director of Finance and Procurement indicated that these would also be included within the Authority's and Local Authorities' response to the consultation on the Provisional Settlement but it would not be clear on whether these issues had been recognised by the Assembly until the announcement of the final settlement at the end of January 2008. The Director of Finance and Procurement had been consulted on the level of the non ill health contingency to be included within the Authority's portion of the Local Government Pension Scheme. The Authority had to date included a contingency of £170k over 3 years for the actuarial strain of early retirements. The non inclusion of a contingency would reduce the overall budget by £126k, or 0.3% of the budget. Members were aware that if there was need for consideration of early retirements, the costs of actuarial strain would have to fall on the revenue account and the reduction of this figure from the budget would further reduce the budget increase to 1.83%.

The overall effect of the adjustments reported would be to reduce the like for like budget increase for 2008/09 to 1.83%. A further 3.5 % would be added in cash terms, because of last year's contribution to the budget from the Pensions Provision. This would bring the overall cash increase to 5.36%. In view of the

funding of a significant portion of the budget from reserves, there was a potential for a further 2.7% to be added to the budget in cash terms for the 2009/10 financial year in addition to the general increase.

Should the Assembly recognise the pensions issues within the Final RSG Settlement, the intention would be to bring these items back into the revenue account, on the basis that the Local Authorities would have received the funding for them.

Members were aware that Officers had carried out a great deal of work in making further savings to the 2008/2009 budget and the Chief Fire Officer indicated that work was commencing now on looking at every possible avenue in order to make future savings in readiness for setting the budget for 2009/2010. These would be reported back to Committee for consideration. Members recognised that although they ideally would welcome further reductions to the final budget figure for 2008/09 this would realistically not be possible in the short term.

## **RESOLUTION**

*It was RESOLVED that*

- Committee approve the budget strategy outlined and that the detailed recommendations be presented to the Fire Authority on 10<sup>th</sup> Dec 2007.*
- The Committee carry out a detailed examination of all budget heads during the forthcoming year with a view of achieving expenditure reduction/efficiency gains in readiness for setting the budget for 2009/2010*
- The Authority in conjunction with the Unitary Authorities make representations through the WLGA to the Welsh Assembly Government on the pensions issues referred to in the report.*