

REPORT TO THE RESOURCES COMMITTEEDATE: 14TH January 2008

REFERENCE:

SUBJECT: Correspondence from the Minister

SUMMARY: As part of the ongoing correspondence between the Fire and Rescue Authorities in Wales and the Minister for Social Justice and Local Government, the attached letter was received by the Chairman in response to the letter sent by the 3 Chairs of the FRAs in Wales on the 23rd November 2007. The original letter is also attached.

OBJECTIVES		IMPLICATIONS	
Trusted & Respect	/	Operational Risk Management	/
More than Emergencies	/	Community Risk Reduction	/
Saving Lives, Protecting Communities	/	Training & Development	/
Managing within Budget	/	Civil Contingencies	/
Improving Efficiency	/	Finance & Procurement	/
Resources to Priorities	/	H.R.	/
Alternative Resources	/	ICT	/
Managing People	/	Corporate Services	/
Integrated Management Planning	/	Transport	/
Partnership Working	/	Health & Safety	/
Effective & Empowered People	/	Premises	/
Sustainability & the Environment	/	Welsh Language	/
Governance	/	Legal	/

COMMENTS/OBSERVATIONS:

The WAG settlement affects all areas of the Authority's work

RECOMMENDATIONS:

That the letters are noted

BACKGROUND PAPERS USED IN PREPARATION OF THIS REPORT:

2 letters attached

The Provisional Revenue Support Grant Settlement 2008/09

Report Author(s) and Designation	Douglas Mackay, Chief Fire Officer Liz Aitken, Treasurer and Director of Finance and Procurement
Telephone number/Extensions	01267 226801 or Ext 4401, 01267 226804 or Ext 4404



Fforwm Gwasanaethau Tân ac Achub Cymru Wales Fire and Rescue Services Forum

CYD-YSGRIFENYDDIAETH/JOINT SECRETARIAT



Awdurdod Tân Gogledd Cymru
North Wales Fire Authority
Cadeirydd/Chairman
Cyng/Cllr T Roberts



Awdurdod Tân Canolbarth A Gorllewin
Mid and West Wales Fire Authority
Cadeirydd/Chairman
Cyng/Cllr C Crowley



Awdurdod Tân De Cymru
South Wales Fire Authority
Cadeirydd/Chairman
Cyng/Cllr D Rees

Our Ref: WFRSF/MT/A-29

23 November 2007

Dr Brian Gibbons AM
Minister for Social Justice and Local Government
Welsh Assembly Government
Cardiff Bay
CARDIFF
CF99 1NA

Dear Minister

We were sorry to hear that your father passed away last week and would wish to express our condolences to you and your family. Our thoughts are with you at your time of loss.

It is right and proper that our meeting scheduled for 19th November was cancelled and whilst we would rather not trouble you at this time there is a pressing matter that we need to raise with you.

The Fire and Rescue Services of Wales continue to react to Government and WAG initiatives whilst protecting the public. Only last week the Prime Minister launched a renewed effort to prevent terrorism and to mitigate the effects of terrorist events within the UK. As a part of that we can expect Fire and Rescue Services to have increasing responsibilities placed on us. The floods in the North East and South West that occurred in the Summer have produced learning points which we will need to embed here in Wales. We know that you are concerned to know more about our preparations for dealing with these large scale catastrophic events, as the topic chosen for next year's operational review is just these scenarios.

More recently, the four fire fighters killed at a fire in Warwickshire last month will undoubtedly lead to improvements to training and response, particularly as these firefighters were conditioned to the retained duty system, as are so many of our firefighters here in Wales.

Given this background, we believe the settlement for our host Unitary Authorities for 2008/09 is insufficient to provide the Fire and Rescue Services with unavoidable inflationary pressures, such as last year's pay awards and basic inflation on utilities, rates, fuel etc. We recognise that all of local government is subject to these pressures and do not expect special consideration for the Fire and Rescue Authorities on that basis.

Please reply to:

Mid & West Wales Fire Authority HQ, Lime Grove Avenue, Carmarthen SA31 1SP

There are, however, two specific areas of pressure this year that apply to Fire and Rescue Authorities only, and are not capable of being avoided.


The first (and more costly) are pressures relating to the operation of the Firefighters' Pension Scheme. We have real concerns that no account has been taken in the settlement of the additional costs Fire and Rescue Authorities are facing from the consequences of the changes in pensions funding arrangements which were introduced with the intention of relieving Fire Authorities of the pensions burden. The impact of these changes for 2008/09 is an additional cost of 2.6% of the total revenue budget across Welsh Fire and Rescue Authorities (3.4% for one Authority) potentially increasing to 3.6% on average (4.4% for one Authority). (The differential between Authorities is largely down to the disproportionate impact on costs of wholetime and retained firefighters).

This additional cost is purely as a result of central imposition and is entirely outside the control of the Fire Authorities. The Fire Authorities assumed that this was exactly the type of issue that constituted a 'new burden' under the terms of the Assembly's agreement with the WLGA that 'new burdens' would be funded by the Assembly. We would therefore call on you to uphold this agreement. With a general settlement of 2.2%, and unavoidable increases of over that in each of the three Authorities just to deal with pensions issues, the consequences for service delivery are serious. This item alone takes up a great deal more than the total settlement increase. At the same time as we will need to bill the unitary authorities for these additional costs, we will be returning the balance of monies held by us for this year's pension payments and, whilst these will be seen as 'different pots of money', the reality is that the flow of money on pensions will in effect be from the unitary authorities, through us to WAG.

Our second area of particular concern relates to the costs of the new Firelink communications system, which again does not appear to be funded anywhere within the settlement. This is perhaps a perfect example of a 'new burden' with potential costs of £0.5 to £1 million in 2008/09. This represents a further 0.7% of budgets on average.

There were a number of other issues highlighted within the Fire Expenditure Sub Group's Budget Pressures report which was submitted as part of the WAG/WLGA budget negotiating round and we look forward to discussing these with you when we meet. We felt, however, that we needed to bring the above two very substantial and unavoidable matters to your attention before then.

Yours sincerely



Chairman
Mid & West Wales



Chairman
North Wales



Chairman
South Wales

Brian Gibbons AC/AM
Y Gweinidog dros Gyfiawnder Cymdeithasol a Llywodraeth
Leol
Minister for Social Justice and Local Government



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

Eich cyf/Your ref
Ein cyf/Our ref BG/05598/07

Cllr Colin Crowley
Wales Fire and Rescue
Services Forum
Mid & West Wales Fire
Authority
Lime Grove Avenue
Carmarthen
SA31 1SP

20 December 2007

Dear Colin,

Thank you for your combined letter of 23 November regarding the Local Government Settlement and specific issues of Firefighter Pensions and Firelink costs.

I recognise that the provisional settlement for 2008-09 which I announced on 14th November is a challenging one for local authorities. As I said at the time, I consider this to be a realistic settlement against a backdrop of a much tighter overall settlement for the Assembly Government from the recent UK Comprehensive Spending Review. Overall when specific grants are taken into account there is an increase in the funding available of three per cent. We have always made clear that the years covered by the latest Comprehensive Spending Review round would be more difficult than previous years and local authorities must be prepared for this and take account of it in their budget preparations.

In relation to pensions, whilst Welsh Ministers do have powers under the Fire and Rescue Services Act 2004, these are limited by HM Treasury rules in relation to public sector pensions and the need to maintain 'club' arrangements. My officials met with the Treasurer for Mid and West Wales Fire Authority on 5 December. They discussed in detail the fire pension issues raised in order that they had a common understanding of the issues. The new pension arrangements that have been put in place in Wales are consistent with those introduced in England. It would not have been possible to introduce any other arrangements here in Wales and still have HM Treasury agreement to underwrite the existing pension costs. These arrangements are designed to allow authorities to manage their budgets with greater certainty and avoid wide fluctuations in costs through ongoing pension liabilities.

I recognise that the other change to allow Retained Duty System (RDS) firefighters to have access to firefighters pension arrangements has created a funding pressure that has to be managed alongside other pressures. We have sought clarification on how this is being managed in England. We have been told that no extra funding has been provided for this pressure.

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

English Enquiry Line 0845 010 3300
Llinell Ymholiadau Cymraeg 0845 010 4400
Ffacs * Fax 029 2089 8522
Correspondence: Brian.Gibbons@Wales.gsi.gov.uk
Printed on 100% recycled paper

Wedi'i argraffu ar bapur wedi'i ailgylchu (100%)

FRA's have known for a number of years that this group of personnel were going to be allowed entrance to the new scheme and would have to plan for it. Furthermore, we have stated that while there are costs associated with allowing this group entrance to the scheme, there are also benefits in a more motivated workforce, likely to remain in employment longer with associated savings on recruitment and training. My officials have established that this is in line with similar treatment in England.

As far as your comments regarding the circular movement of money and different 'pots' is concerned. You will appreciate that this is inevitable as we deal with different budgets and different responsibilities, underwriting pensions is now the responsibility of HM Treasury. While there will be some years where a surplus is returned to the Treasury, the Government Actuary projections predict many more years in the future where HM Treasury will have to increase the level of top-up grant to cover shortfalls.

The provisional settlement is currently out for consultation. The consultation period is due to end on 4 January. I will be considering the responses to that consultation exercise before finalising the settlement later in January. As I mentioned during our meeting on 28 November I would urge FRA's to voice any concerns they have as part of the collective WLGA response to the consultation.

As far as Firelink costs are concerned, as I indicated during our meeting significant revenue resources in the draft budget could help to meet your concerns in this area and I will let you know the outcome once the budget has been finalised.

I am copying this letter to Cllr Derek Rees and Cllr Trevor Roberts.

Yours sincerely



Brian Gibbons AM/AC