

## REPORT OF THE TREASURER

**REVENUE BUDGET ESTIMATE 2016/17 (ADDENDUM)****SUMMARY**

This addendum provides additional information for Members in relation to announcements made by the Welsh Government affecting the revenue budget approval for 2016/17.

**RECOMMENDATIONS**

That Members note the content of the letter from the Minister together with the potential financial impact on the budget estimated at £0.208m equivalent to 0.3% of the revenue budget.

That Members determine the appropriate level of budget as the basis of the consultation with constituent councils having first considered the financial information contained in the original budget report previously circulated together with the reductions in funding outlined.

**1. ISSUE**

- 1.1 The table below shows the Welsh Government funding position of each constituent council at the draft stage announced on 9 December 2015.

	<b>2015/16 AEF<sup>1</sup></b> <b>£000</b>	<b>2016/17 AEF</b> <b>£000</b>	<b>% Change</b> <b>in AEF</b>
Bridgend	189,561	187,508	-1.08%
The Vale Of Glamorgan	153,530	150,443	-2.01%
Rhondda Cynon Taf	357,009	353,769	-0.91%
Merthyr Tydfil	89,848	89,188	-0.74%
Caerphilly	265,723	263,293	-0.91%
Blaenau Gwent	110,959	109,252	-1.54%
Torfaen	131,538	129,296	-1.70%
Monmouthshire	94,379	91,439	-3.12%
Newport	210,565	209,133	-0.68%
Cardiff	426,860	426,285	-0.13%
<b>Total</b>	<b>2,029,972</b>	<b>2,009,606</b>	<b>-1.00%</b>

<sup>1</sup> This value is adjusted to take account of grant transfers and other factors

- 1.2 The overall reduction in constituent council funding from Welsh Government will be -1%. This is not the only source of funding available to councils to meet expenditure. Councils also raise local taxation.
- 1.3 It is not possible to know what decisions councils will take around council tax but given the historical averages that have been set over the austerity period, an average 4.5% increase in yield is not unlikely.

- 1.4 The combined effect of a -1% reduction in AEF and an increase in the yield from council tax would result in net resources to the constituent councils increasing by approximately 0.3% in total in 2016/17.

## **2. EXTERNAL FUNDING STREAMS**

- 2.1 Following the Welsh Government budget announcement on 8 December 2015, the Minister wrote to the Chairs of the Fire & Rescue Authorities (letter attached at Appendix 1) outlining the impact of the budget on external funding streams currently in payment.
- 2.2 Three areas are potentially affected including revenue grant funding for community fire safety and national resilience (NR) work together with contributions towards the costs of the emergency communications network. There are no cuts proposed on capital funding streams.
- 2.3 As per paragraph 5.3 of the original report on the agenda, this information is now provided to outline the potential impact of Welsh Government announcements on the Fire & Rescue Authority's revenue budget.

## **3. COMMUNITY FIRE SAFETY GRANTS (REVENUE)**

- 3.1 The total revenue grant available in Wales in 2015/16 is £1.03m and this is being cut to £0.818m in 2016/17, a reduction of £0.212m or around 20%. If this cut followed the existing pattern of grant approvals across Wales, this would reduce SWFRS's grant by some £80,000 equivalent to 0.1% of the revenue budget.
- 3.2 The Fire & Rescue Authority has successfully absorbed a proportion of the costs of this work in 2015/16 following a previous cut in grant income. The Authority's stated view has always been that this work is essential in avoiding increased risk in the communities of South Wales.

## **4. NATIONAL RESILIENCE GRANTS (REVENUE)**

- 4.1 Members will be aware that the Authority have signed a Transfer Agreement with Welsh Ministers for the delivery of National Resilience Assets.
- 4.2 The total revenue grant available in Wales in 2015/16 is £2.328m and this is being cut to £2m in 2016/17, a reduction of £0.328m or around 14%. This reduction equates to around £0.13m for SWFRS equivalent to around 0.2% of the revenue budget.

- 4.3 Discussions have been ongoing with Welsh Government to review the NR Capabilities in Wales in order to mitigate the reduction in funding. A review of all NR budget lines has been undertaken and efficiencies identified that will provide the necessary savings. We recognise that the risks and threats we face are changing and as such a full scale review of capabilities across the UK is now underway.

## **5. EMERGENCY SERVICES NETWORK FUNDING CONTRIBUTION (ESN)**

- 5.1 Currently, the Welsh Government contributes to the costs of providing the emergency services communication network (Firelink) in Wales. The total cost of the provision in South Wales is £0.9m of which Welsh Government contributes £0.6m. This contribution will continue in 2016/17 but there is no ongoing confirmed commitment to funding beyond next year or towards the roll out of the replacement ESN system currently being procured.
- 5.2 The decision to continue funding Firelink in 2016-2017 is welcome although there remains a significant financial risk should this funding be stopped in the future. Nationally, work into the replacement of the current emergency service communications network is well underway. The full costs of this transition are unclear although discussions are ongoing with WG regarding funding options.
- 5.3 The Minister has invited authorities to submit an 'Invest to Save' bid to fund the replacement system. It is not possible to construct such a bid until the full costs and implications to SWFRS are known. Members will recall their decision to merge our fire control function with Mid & West Wales and co-locate with South Wales Police in Bridgend. It is envisaged that this will improve operational performance and inter agency working whilst seeking to reduce future financial burdens.
- 5.4 Members will be kept informed of the developments as this project progresses together with any financial implications. Until the impact is known, there is no intention to alter the current budget proposal before Members in this regard.

## **6. RECOMMENDATION**

- 6.1 That Members note the content of the letter from the Minister together with the potential financial impact on the budget estimated at £0.208m equivalent to 0.3% of the revenue budget.
- 6.2 That Members determine the appropriate level of budget as the basis of the consultation with constituent councils having considered the financial

information contained in the original report previously circulated together with the reductions in funding outlined.

<b>Contact Officer:</b>	<b>Background Papers:</b>
Geraint Thomas Head of Finance & Procurement	<ul style="list-style-type: none"><li>• Medium Term Financial Strategy</li><li>• Local Government Revenue Settlements</li></ul>

Leighton Andrews AC / AM  
Y Gweinidog Gwasanaethau Cyhoeddus  
Minister for Public Services



Ein cyf/Our ref MA(P)-LA-1263-15

Llywodraeth Cymru  
Welsh Government

Cllr Tudor Davies  
Chair  
South Wales Fire and Rescue Authority  
Forest View Business Park  
Llantrisant  
Rhondda Cynon Taf  
CF72 8LX

*Dear Tudor*

8 December 2015

The Welsh Government published its draft budget for 2016-17 today, and I am now able to set out the proposed implications for Fire and Rescue Authorities.

As you know, the UK Government's Comprehensive Spending Review imposed further cuts on the Welsh Government overall, with no prospect of that changing in the medium term. I have therefore had to reduce almost all of the spending programmes within my portfolio significantly, including fire services

I have, though, been able to protect funding for Firelink. I and my officials have received strong representations from Fire and Rescue Authorities about the importance of this. I agree that the system is critical to effective operations, and the funding in 2016-17 will remain at its current level.

I cannot make a similar commitment as regards the replacement system, ESN. Introducing this should allow for longer term financial savings to your FRA over the life of the programme, and my officials have already been in touch with yours to invite bids for invest-to-save funding in this area. I would encourage you and other FRAs to formulate a credible bid for such funding as soon as possible.

I propose to take a similar approach to community fire safety revenue funding. I value your work in preventing fires and keeping communities safe very highly. However, it is your legal responsibility to do this. It is and should be part of your core activities in the same way as firefighting; it should not rely unduly on a small specific grant. I am therefore reducing this funding to £818,000 in 2016-17. As before, I will welcome bids for this funding which can make a demonstrable contribution to keeping people safe, and in particular those which focus on vulnerable groups and which address wider hazards as well as the risk of fire. Again, effective work in this area should reduce your costs in the longer term. I am pleased that one Authority has already secured invest-to-save funding for a trial project on domestic safety, and I would encourage you and other FRAs to make similar bids for other programmes.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Our support for national resilience provision is critical to ensuring an effective response to major incidents. However, we cannot allow that to mask prudent financial management. It is becoming clear that some aspects of our previous support, such as the budgets for training and exercising, have rarely been spent in recent years. My officials have already agreed with yours that there is scope for significant savings here, and I will therefore reduce the funding to £2,000,000 in 2016-17. I expect to receive proposals from you for making these reductions, and my officials will be happy to assist in that. I am aware that future changes in mass decontamination capability, for instance, may lead to further savings from this budget, and I expect that to be kept under review. On the other hand, I would look sympathetically and urgently at any case for further support for marauding terrorist firearm response capability, should the security situation warrant that.

These changes affect only revenue funding; capital budgets will remain at their current level. Again, I expect to see community fire safety capital spending focus on improving safety for vulnerable people and communities, and on tailored interventions that address very high levels of multiple risk. Depending on the need to refresh resilience assets, I will also consider bids for capital funding to support diversification of FRAs' roles, or to address particularly severe risks such as grass fires.

We have no assurance about the Welsh Government's funding beyond 2016-17, so I can give you no assurance about funding after the next financial year.

I know that making these changes will not be easy, but they are an inescapable consequence of the current fiscal climate. I look forward to working with you to manage these changes as effectively as possible.

I am copying this letter to CFO Huw Jakeway and writing in identical terms to Wynne Evans and Meirick Lloyd Davies.

*Yours sincerely,*  


**Leighton Andrews AC / AM**  
Y Gweinidog Gwasanaethau Cyhoeddus  
Minister for Public Services