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| Report to | Audit Committee |  |
| Date | 20 March 2023 | |
| Lead Officer | Dafydd Edwards, Authority Treasurer | |
| Contact Officer | Helen MacArthur, Assistant Chief Fire Officer (Finance and Resources) | |
| Subject | 2023/24 Revenue Budget | |

PURPOSE OF REPORT

- 1 To provide members with a financial update following the approval of the 2023/24 revenue budget at the North Wales Fire and Rescue Authority meeting of the 16 January 2023.

EXECUTIVE SUMMARY

- 2 The North Wales Fire and Rescue Authority (the Authority) approved the 2023/24 revenue budget at its meeting of the 16 January 2023. The approved budget of £43.314m represents a year on year increase of 9.9% and included the requirement to deliver savings of £1.4m to achieve a balanced position.
- 3 At the time of setting the budget, it was recognised that a number of risks and uncertainties existed. These included the outstanding pay award for firefighters for 2022/23 and pay awards for all staff for 2023/24. All pay awards are subject to national negotiations, the timescales of which are outside of the control of the Authority.
- 4 Since approving the 2023/24 revenue budget the pay negotiations for firefighters have been concluded for both 2022/23 and 2023/24 with an increase of 7% and 5% respectively. This is payable from July each year and is above the planning assumptions used when setting the 2022/23 and 2023/24 budgets. The 2023/24 pay award for all other staff remains outstanding at the time of writing.
- 5 This paper confirms the additional cost pressures of £1m arising from the pay negotiations that have been concluded. It is proposed that these cost pressures should be addressed through the short-term use of reserves, recognising the underlying recurring deficit position.

RECOMMENDATIONS

- 6 Members are asked to:
- (i) note the conclusion of the pay negotiations for firefighters and the associated further cost pressures;
 - (ii) consider the short-term use of reserves to address the cost pressures arising from the firefighters' pay settlement;
 - (iii) note that the pay negotiations for all other staff remain outstanding at this time; and
 - (iv) note that the £2.4m underlying deficit will have unavoidable implications for future service delivery and increased levy for 2024/25.

BACKGROUND

- 7 The Authority is required to set a balanced revenue budget which must be approved by the full Authority before the commencement of the financial year. Although the term "balanced" is not formally defined in the legislation, the Chartered Institute of Public Finance (CIPFA) recognises that organisations should have financial plans which demonstrate how expenditure will be funded over the short and medium term.
- 8 The Authority's financial sustainability in the short, medium and longer term is underpinned by knowledge and understanding of key cost drivers including the evaluation of risks and uncertainties. Pivotal to this is an understanding of service demands, resources available and the future strategic vision.
- 9 The budget setting process for 2023/24 highlighted the significant budget challenges and financial constraints being experienced across the public sector and recognised the need to identify measures to further reduce the budget requirement. It was noted that the scope for efficiency savings is limited given the scale of budget reductions over the last 15 years.
- 10 The Authority approved the revenue budget of £43.314m for 2023/24 at its meeting of 16 January 2023 following a series of member planning meetings. This represents a year on year increase of 9.9% and included the requirement to identify £1.4m of savings to achieve a balanced outturn position. However, at the time of setting the budget it was noted that a number of residual risks and uncertainties remained.
- 11 These risks included the outstanding pay award for firefighters for 2022/23 and pay awards for all staff for 2023/24. All pay awards are subject to national negotiations, the timescales of which are outside of the control of the Authority.

INFORMATION

- 12 The pay negotiations for staff employed on grey book terms and conditions (firefighters) have concluded for both the 2022/23 and 2023/24 financial years. The agreed settlement is set out below:

| Year | % increase (actual) | Planning assumption % | Payable from |
|---------|---------------------|-----------------------|--------------|
| 2022/23 | 7 | 5 | 1 July 2022 |
| 2023/24 | 5 | 4 | 1 July 2023 |

- 13 The settlement is above the planning assumptions used when setting the budget in January 2023, creating a further recurring cost pressure of £1m.
- 14 In the short-term, it is proposed that the cost pressure will be managed through the use of reserves. Although this is not sustainable in the medium term this avoids raising a supplementary levy on the region's local authorities during 2023/24, and will allow Members the opportunity to consider the options arising from the Emergency Cover Review.
- 15 It is noted that the pay negotiations for all other staff remain outstanding at the time of writing this report and this remains a financial risk for 2023/24.
- 16 Whilst the further use of reserves avoids the need to raise a supplementary levy for 2023/24, this use of reserves will not be sustainable for 2024/25. The budget approved in January 2023 created a requirement to identify recurring cost savings of £1.4m and coupled with the further impact of the pay settlements the underlying deficit as at April 2023 has increased to £2.4m.
- 17 To achieve a sustainable financial position for 2024/25 onwards it will be necessary to take further action, including difficult decisions on permanent changes to service delivery and funding models, and a significant annual increase in the levy on local authorities for 2024/25.

IMPLICATIONS

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| Wellbeing Objectives | The budget enables the Authority to achieve its long-term well-being objectives. |
| Budget | This report sets out the impact of the settlement of the pay negotiations for staff employed under grey book terms and conditions. It is noted that pay negotiations for all other staff remain outstanding at this time and represent a further financial risk. |
| Legal | The Authority has a legal duty to set a balanced revenue budget. Aligned to this the Authority must also comply with other legal duties including appropriate legal practices. The current proposal is for the short-term use of reserves to be utilised pending further consideration by Members of future service delivery models. |
| Staffing | This report confirms the proposal to use reserves to fund the cost pressures arising from the pay settlements. It is recognised that this creates an underlying deficit which will require review of service delivery and funding models for 2024/25 onwards. |
| Equalities/ Human Rights / Welsh Language | None |
| Risks and Uncertainties | <p>The budget approved in January 2023 contained a number of risks and uncertainties. The pay negotiations for staff other than those on grey book terms and conditions remain ongoing at this time.</p> <p>The budget proposals include activity at normal levels and increased attendance at incidents will create a further cost pressure.</p> <p>The settlement for staff on grey book terms and conditions increases the recurring deficit and the proposal to utilise reserves is a short-term measure only and is not sustainable. The financial stability for 2024/25 onwards will require further agreement on service delivery models and funding arrangements.</p> |