



AGENDA ITEM: 7

NORTH WALES FIRE AND RESCUE AUTHORITY

15 December 2008

DRAFT BUDGET 2009-10

Report by Ken Finch, Treasurer

PURPOSE OF REPORT

- 1.** To present to Members the draft budget for 2009-10 for approval.

INTRODUCTION

- 2.** This report contains proposals to the Authority in respect of the draft budget for 2009-10, the forecasts for 2010-11 and 2011-12, and the papers attached set out:-
 - (i) the draft revenue budget (Appendix A),
 - (ii) the provisional contributions required by the Constituent Authorities (Appendix B),
 - (iii) the draft capital programme (Appendix C).

Presentation of the Budget in Best Value format, the Treasury Management Annual Strategy and the Prudential Indicators have not been included due to time constraints and will be presented to Members at a later date.

BACKGROUND

- 3.** This year the budget setting process commenced in September with a report to the Executive Panel indicating the possible pressures on next year's budget in line with a request from Members for more involvement in the process. A second report to the Executive Panel in November gave Members the opportunity to assess the budget pressures and give officers an indication of what level of budget increase would be acceptable due to the financial pressures faced by the Unitary Authorities because of the small increases announced in the Provisional Revenue Support Grant settlement for the North Wales Authorities.

REVENUE BUDGET

- 4.** The report detailing the budget increases for 2009-10 presented to the Executive panel in November indicated that an increase of 3.56% would be necessary to cover the unavoidable budget pressures. However, this increase included the Pay Award at 2% and was underpinned by £192k from Provisions.
- 5.** Members indicated that they would accept a budget increase of between 3% and 3.5%. They would also prefer the budget increase for the pay award to be 2.5%, and if possible, no underpinning from Provisions.
- 6.** With an indication of the acceptable level of increase officers have re-visited the draft budget to see if any reductions could be made and include the pay award at 2.5%. A more detailed analysis of costs, specifically employer's pension costs and National Insurance, was undertaken to see if savings could be made. Small savings were also found across a number of other budget heads amounting to a significant saving overall.
- 7.** The opportunity also arose to re-schedule some of the Loan Portfolio resulting in £78k savings in interest costs for 2009-10 and £35k in this financial year. Further details on the re-scheduling will be included in the Treasury Management Annual Strategy.

8. The changes to the financing of the Firefighters pension scheme meant that for every ill-health retirement a lump sum is paid in to the pension fund. When the scheme was introduced the Authority included £80k in the revenue budget each year to cover any possible payments and also retained a Pension Provision to cover any payments over and above this amount. The indications are that since the pension scheme changed the number of ill-health retirements have reduced significantly and it will no longer be necessary to include money in the revenue budget. This has resulted in savings of £80k for 2008-09 and 2009-10.

9. No additional funding has been included in the budget for Community Safety but at the Executive Panel meeting held on 17 November it was recommended that the Authority lobby the Welsh Assembly Government and Assembly Members for additional funding specifically for community safety work.

10. The table below indicates the options available to Members for next year's budget. To achieve the levels indicated by Members there has had to be some use of Provisions and underspends. If Members require further reductions or a change to the funding options there would be a probable impact on frontline services.

Options	% Increase	Monetary Increase £
Option 1	3.87	1,173,392
Option 2	3.49	1,058,392
Option 3	2.99	908,392

Option 1 - includes all the unavoidable budget pressures and the pay award at 2.5%. The least risky of the options as there is no under-pinning from one off resources.

Option 2 - as Option 1 plus ring-fencing the known underspends from 2008-09 (interest saving £35k, Ill-health contribution £80k, total £115k) to support the budget. A more risky option as the budget is underpinned by a one off resource.

Option 3 - as Option 2 plus £150k from Provisions. This is the riskiest option as the budget is underpinned by one off resources totalling £265k creating a problem for the 2010-11 budget setting process.

- 11.** Appendix A details the actual expenditure for 2007-08, the original and outturn budgets for 2008-09, the budget estimate for 2009-10 and forecasts for 2010-11 and 2011-12.
- 12.** To ensure no recurrence of the use of one off resources it may be an option for one of the Members working groups to look for savings in 2009-10 for 2010-11.

CONTRIBUTIONS

- 13.** Appendix B sets out the provisional contributions for 2009-10 and includes a breakdown for each option listed above.

CAPITAL PROGRAMME

- 14.** The draft capital programme for 2009-10 is set out in Appendix C and amounts to £3.3m of new spend and schemes that were previously approved in either 2007-08 or 2008-09 which amount to £2.3m. Examples of new schemes are the remodelling of Betws-y-Coed and Deeside Fire and Rescue stations and the dismantling of redundant training towers. This is in addition to the purchase of new appliances and ancillary vehicles as per the vehicle replacement programme. In 2008-09 the estimated outturn for capital expenditure is £6.4m. It is proposed to finance this from borrowing and capital receipts
- 15.** As mentioned above Members may want to look at the capital programme in more detail in 2009-10 to examine the cost benefits of the capital programme and to plan for future expenditure requirements.

RECOMMENDATIONS

16. It is recommended that:

- (i) Members approve the draft budget for 2009-10 based on the information provided in the report.
- (ii) Constituent Authorities be advised of the provisional contributions required for 2009-10.
- (iii) The draft capital programme for 2009-10 and associated methods of financing be approved.
- (iv) If any changes transpire before 15 February 2009, the powers for altering the budget level be delegated to the Chairman, Chief Fire Officer and Treasurer.