



AGENDA ITEM: 9

NORTH WALES FIRE AND RESCUE AUTHORITY

18th December 2006

DRAFT BUDGET 2007/2008

**Report by Ken Finch,
Treasurer to the Authority**

PURPOSE OF REPORT

1. To present to Members the draft budget for 2007/2008 for approval.

INTRODUCTION

2. This report contains proposals to the Authority in respect of the draft budget for 2007/2008, the forecasts for 2008/2009 and 2009/2010, 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) a list of prudential indicators as required by the CIPFA Code of Practice on Treasury Management (Appendix C),
 - (iv) the Treasury Management Strategy and Annual Plan for 2007/2008 (Appendix D) and
 - (v) the draft capital programme (Appendix E).



BACKGROUND

3. As reported to the Executive Panel on 12 December 2006 Members will be aware of various pressures and constraints upon the service and the public sector as a whole. It is important to draw Members' attention to a number of key points related to the draft budget for 2007/2008.
- (a) The average increase in Provisional Revenue Support Grant (RSG) for North Wales for 2007/2008 is 3.85%. The Final Settlement is not being announced until 14 December 2006.
 - (b) The Firefighters' pay award due on 1 July 2007 is currently unknown. For budget setting purposes 2.5% has been used as this is the stated maximum for public sector pay. For every 1% above 2.5%, the cost to the Fire Authority is £154,000.
 - (c) From April 2007 the new accounting arrangements for Firefighters' pensions will necessitate setting up a Pensions Account. Firefighters' pensions and commutation payments will be paid out of the new Pensions Account. The Authority will make a fixed contribution in to the Pensions Account from the revenue budget for each member of the scheme (21.3% FPS 1992, 11% FPS 2006). Any deficit on the Pensions Account will be met by the Government and any surplus on the account will be returned to the Government. However, the Authority will still be responsible for paying Injury Pensions, Retained Ill Health pensions and a fixed contribution in to the Pension Fund for every Firefighter who retires on ill health. The budget retained by the service to cover these potential payments is £350,000.



BACKGROUND *(continued)*

- (d) It is proposed to retain a small provision of £665,000 to cover potential pension liabilities which include ill health pension contributions, 2006/2007 Commutation payments and retained pension costs. A separate report elsewhere on the agenda sets this out in more detail.

- (e) When the budget for 2006/2007 was considered, Members agreed to a number of options to reduce the proposed increase to a level more affordable to the Constituent Authorities. The options entailed using Provisions of £412,200 held by the Authority. The Provisions held by the Authority have now been depleted so it is not possible to repeat this for 2007/08. This equates to an 'increase' of 1.4% in the proposed budget when compared to 2006/2007.

REVENUE BUDGET

- 4. The initial draft budget for 2007/2008 has been calculated at £29.456m, 0.36% above the approved budget for 2006/2007. The underlying increase after making adjustments for the way in which pensions are accounted for from 01/04/07 is 4.85%. The increase includes an estimate for the pay awards for firefighters and support staff at 2.5%. The cost of funding the capital programme (Debt Charges) is showing a large increase due to the increase in spend on capital to meet the priorities set out in the Risk Reduction Plan.

- 5 Appendix A compares the initial budget for 2007/2008 to actual expenditure for 2005/2006, the original and outturn budgets for 2006/2007 and forecasts for 2008/2009 and 2009/2010.



REVENUE BUDGET *(continued)*

- 6 The budget is prepared on current projections of incidents and demands on the service. However, as Members will appreciate an increased number of incidents, such as a sudden increase in fire deaths, could adversely affect expenditure. No specific contingencies are built in to the budget to cover this.
- 7 In compiling the budget for 2007/2008 the service has been prudent and has not included any new spend except for the additional costs of the Tri-control. The Welsh Assembly Government recommends that all Authorities across Wales produce 1% efficiency savings. Whilst this is known about and is a factor for budget preparation, it will have to be a key feature of future financial planning. Efficiency savings achieved could be used to employ additional resources to tackle demands on the service in the future.

ADDITIONAL INFORMATION

- 8 Appendix B sets out the provisional contributions for 2007/2008, whilst Appendix C sets out the prudential indicators required from the CIPFA Code of Practice on Treasury Management. The Treasury Management Strategy and Annual Plan for 2007/2008 is in Appendix D.

CAPITAL PROGRAMME

- 9 The draft capital programme for 2007/2008 is set out in Appendix E and amounts to £5.5m. Included in the programme is money for the Rhyl 1st project which is the subject of a separate report to Members. In 2006/2007 the estimated outturn for capital expenditure is £4.18m. It is proposed to finance this by borrowing and from grants.



CAPITAL PROGRAMME *(continued)*

- 10** Estates Management are responsible for the property side of the capital programme and due to a backlog of capital works needing to be undertaken the cost of the works has increased. The increase in cost is due mainly to insufficient spending in the past. The programme does not break down expenditure between properties, except for the Rhyl 1st project, due to the large number of properties requiring work. Details of the capital programme will be reported separately to Members at a later date.

RECOMMENDATIONS

- 11** It is recommended that:
- (i)** Members approve the draft budget for 2007/2008 at £29.456m.
 - (i)** Constituent Authorities be advised of the provisional contributions required for 2007/2008.
 - (ii)** The Prudential Indicators set out in Appendix C be approved.
 - (iii)** The Treasury Management Strategy and Annual Plan for 2007/2008 set out in Appendix D be approved.
 - (iv)** The draft capital programme for 2007/2008 and associated methods of financing be approved.
 - (v)** If any changes transpire before 31 January 2007, the powers for altering the budget level be delegated to the Executive Panel or, if any savings transpire after this date but before 15 February 2007, that this power be delegated to the Treasurer in consultation with the Chairman, Chief Fire Officer and Clerk.

K W FINCH
Treasurer

