



## **AGENDA ITEM: 8**

### **NORTH WALES FIRE AND RESCUE AUTHORITY**

**21 December 2009**

#### **DRAFT BUDGET 2010-11**

**Report by Ken Finch, Treasurer**

#### **PURPOSE OF REPORT**

- 1.** To present to Members the draft budget for 2010-11 for approval.

#### **INTRODUCTION**

- 2.** This report contains proposals to the Authority in respect of the draft budget for 2010-11, the forecasts for 2011-12 and 2012-13, 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 early and the first report was presented to the Executive Panel in July followed by further reports in September and November. The preliminary reports

gave Members the opportunity to assess the known pressures and new requirements for next year's budget and also provided officers with an indication as to 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.

## **INITIAL BUDGET REPORTS**

- 4.** The report detailing the budget increases for 2010-11 presented to the Executive Panel in November indicated that an increase of 3.96% would be necessary to cover known budget pressures and new requirements.
- 5.** Members indicated that it may be unacceptable to approve spend on new requirements given the size of the budget increase. Officers have now re-visited the draft budget to see if reductions could be made so that the budget increase is at a more acceptable level.

## **EMPLOYEE COSTS**

- 6.** A more detailed analysis of employee costs was undertaken and savings were found on pension costs and national insurance.

Funding of £128,000 for the five additional posts that are not currently part of the establishment has been found for next year from a discount received on a loan re-schedule, after this, funding will have to come from savings within the budget.

The base budget is sufficient to cover an estimated 1% pay award for 2010-11 due to the pay award for 2009-10 being less than the budget estimate of 2.5%.

Due to the savings detailed above employee costs now show a saving on the base budget of £101,908.

## **PREMISES**

- 7.** An additional £35,680 has been included under premises costs to cover the increased cost of servicing plant and equipment to comply with health and safety legislation and the stepped increase in rent for Crud-y-Dderwen. However, some of the above costs have been offset by savings on national non domestic rates, £26,196, due to the new valuations providing a favourable outcome for the Authority.

## **TRANSPORT**

- 8.** There is a need to increase transport costs to meet rising fuel prices and servicing costs. The cost of servicing and repairs has increased because many of the components are imported and the exchange rate has increased the cost of these parts. To meet these additional costs an extra £68,270 has been included in the transport budget.

## **SUPPLIES & SERVICES**

- 9.** Within the supplies and services heading the budget for insurance and hydrant repairs has increased in line with the known increase in costs. However, these additional costs have been offset by savings on the new contract for the management of PPE, which is due to start in April 2010.
- 10.** Members of the Executive Panel have received a presentation from ACFO Hanks and Sarah Roberts, the ICT Manager, regarding the national project for the replacement of the radio system known as Firelink. The capital costs and initial revenue costs of Firelink are to be funded by the Welsh Assembly Government (WAG). Inextricably linked to this project are a number of ICT projects needed to upgrade the ICT infrastructure to enable the delivery of risk critical information to firefighters on the fireground. This increase of £536,000 is not discretionary but essential to deliver a safe modern fire and rescue service.

## **CAPITAL CHARGES**

- 11.** Since the last report the estimate for the increase in capital charges has reduced due to slippage on the capital programme and the re-scheduling of loans at more favourable interest rates. The estimated increase for capital charges for 2010-11 is £131,841.

- 12.** The budget for interest received from money on deposit has decreased by £150,000 due to the low interest rates prevailing in the current economic climate.

### **PROPOSED BUDGET**

- 13.** Having incorporated the changes listed above the new proposal is for a budget increase of 2.5% which includes all known pressures and new requirements. The table below sets out the changes to the budget with a detailed analysis provided in appendix A.

<b>Description</b>	<b>Budget Increase</b>	<b>% Change</b>
ORIGINAL BUDGET	31,311,563	
Savings on Employee costs	-101,908	-0.32
Servicing Plant/Rent increase	35,680	0.11
NNDR saving	-26,196	-0.08
Transport	68,720	0.22
Net saving on PPE	-12,300	-0.04
ICT Infrastructure	536,000	1.71
Capital Charges	131,841	0.42
Loss of Interest	150,000	0.48
TOTAL INCREASE	781,837	2.50
PROPOSED BUDGET	32,093,400	

### **OUTTURN 2009-10**

- 14.** Current indications are that with careful management the out-turn will be very close to the budget. There is currently predicted to be a slight overspend of £3,146.

### **CONTRIBUTIONS**

- 15.** Appendix B sets out the provisional contributions for 2010-11 from the constituent authorities.

## **CAPITAL PROGRAMME**

- 16.** The draft capital programme for 2010-11 is set out in Appendix C and amounts to £3.69m of new spend and schemes that were previously approved in either 2008-09 or 2009-10 which amount to £3.93m. All major building schemes apart from DDA works are currently on hold as all funding has been diverted into the new development at Wrexham. Discussions are taking place with WAG regarding alternative funding for the DDA work. The purchase of new appliances and ancillary vehicles is ongoing as per the vehicle replacement programme. In 2009-10 the estimated outturn for capital expenditure is £3.6m. It is proposed to finance this from borrowing.

## **RECOMMENDATIONS**

- 16.** It is recommended that:
- (i) Members approve the draft budget for 2010-11 based on the information provided in the report;
  - (ii) Members note the anticipated out-turn position for 2009-10;
  - (iii) Constituent Authorities be advised of the provisional contributions required for 2010-11;
  - (iv) The draft capital programme for 2010-11 and associated methods of financing be approved;
  - (v) If any changes transpire before 15 February 2010, requiring the budget to be reduced it should be delegated to the Treasurer, in consultation with the Chief Fire Officer and Clerk. Any increase should be referred to a reconvened Executive Panel.