



AGENDA ITEM: 5

NORTH WALES FIRE AND RESCUE AUTHORITY EXECUTIVE PANEL

17th November 2008

Budget Options for 2009/10

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Purpose of Report

- 1** This paper builds upon the previous paper presented at the Executive panel on the 22nd September 2008. It seeks to describe significant known budget pressures for 2009/10 and beyond. Some of these pressures are unavoidable and are set out in table A. Members are requested to note the prudent percentage increase for pay awards and inflation which will be incorporated within the budget for 2009/10.
- 2** Other pressures can now be deferred or met by other means, such as the confirmed funding from the Welsh Assembly Government (WAG) for the first year of Firelink. These pressures are presented in table B, for information because they will have to be addressed in future years.
- 3** It should be noted that this is the last opportunity for the panel to indicate what should be included in next year's revenue budget before it is presented to the Fire and Rescue Authority for approval in December 2008.

Background

- 4** As mentioned in the previous paper the starting point for next year's budget is the existing revenue budget for 2008/09 which is £30.338 million.
- 5** If only the known costs listed below in table A are to be part of the 2009/10 budget, there would be the need for a budget of £31.697 million which would be an increase of 4.48%. This has to be considered in light of the (draft) RSG settlements for North Wales which are between 1.5% and 3.7% for Unitary Authorities.

Unavoidable pressures

- 6** **Pay awards** are negotiated and agreed at a national level. Central government has declared that public sector pay awards should be 2% or less. However the economic climate may increase demand for higher settlements. The risk is that for every 1% agreed over the amount in the budget the Service will need to find another £169,000.
- 7** In addition to pay costs there are a number of other **unavoidable employee costs** such as an increase in bounties to firefighters on the retained duty system, and a temporary increase in control and support staff to cover maternity leave and change management projects.
- 8** **Inflation** for fuel and other goods and services is currently very unpredictable. In order to minimise the percentage increase officers suggest that known inflation and an estimate for fuel of an additional £97,000 be included, but all other supplies and services budget lines be frozen. The risk is that if all other budget lines increase by on average 2% this will require another £90,000.

Future Pressures

- 9** Table B depicts those pressures that Members have some discretion over whether to address in 2009/10 and may choose whether or not to include them in next year's revenue budget.
- 10** The last Fire and Rescue Authority took the decision to **underpin** this year's budget by taking an amount from provisions. This will need to be replaced in 2009/10. One way to do this is to once again take this amount from provisions. Members should be aware that this cannot continue to be done every year because of the limited funds left within provisions. After handing back £1 million to the Unitary Authorities in 2006 and clarifying the accounting treatment with the auditors the Authority has only £600,000 left in its provisions.
- 11** Following the Fire and Rescue Authority's decision; as the vacancies from crewing the ALPs in a different way occur, this funding will be used to finance the increase in **community safety** work.
- 12** The Welsh Assembly Government has confirmed that it will meet the first year's revenue costs for the replacement radio system, **Firelink**, for all three Fire and Rescue Services in Wales. These additional costs will have to be included in the 2010/11 budget.
- 13** Work is still ongoing on the **Job Evaluation** Project for all support staff. By managing other budget lines an amount of £115,000 has been set aside to meet additional costs. It is currently impossible to quantify the increased costs at this stage and this may be inadequate to cover all grade increases and pay protection.

- 14** When new personal protective equipment (PPE) is purchased through what is known as the **Integrated Clothing Project** (ICP) this will be funded through capital and therefore will have revenue budget implication in 2011 onwards, for the life of the equipment.
- 15** There is still no firm indication when the New Dimensions assets and equipment will be transferred to the Fire and Rescue Authorities. This project is known as **Long Term Capability Management**. Until the date and WAG's funding intentions are known, it cannot be included in the 2009/10 budget.

Table A: Unavoidable pressures

Pressure	Description	Cost £'000	% age increase
1. Pay	In order to reduce the overall increase an assumption of 2% increase has been used.	338	1.11%
2. Other employee costs	Due to an increase in bounties, and a temporary increase in control and admin staff.	292	0.96%
3. Cost of fuel and known inflation	In order to reduce the increase only known inflation has been included.	267	0.88%
4. Capital charges	These are unavoidable charges for borrowing money for capital	341	1.13%
5. Loss on money on deposit	Interest paid on money on deposit is less than expected when the budget was set last year.	120	0.40%
Total		1,358	4.48%

Table B: Future pressures

Pressure	Description	Cost £'000	% age increase
6. Underpinning	One off amount which could again be taken from provisions but would need to be replaced in the 10/11 budget.	192	
7. Increase in community safety work	Required to deliver 30,000 home safety checks per year	400	
8. Firelink	WAG have agreed to fund the first year's cost. But this will need to be included in the 2010/11 budget.	350	
9. Job Evaluation	An amount of £115,000 has been taken from other budget lines to fund the outcome of the evaluation.	115	
10. Service Continuity	The Fire Authority has decided to pursue an all Wales solution and so this funding is not required this year.	178	
11. Integrated Clothing Project	When new Personal protective equipment (PPE) is bought it will be from Capital.	?	?
12. Long Term Capability management	The transfer of all New Dimensions assets and equipment to the FRAs	?	?

16 Recommendation

Members are asked to:

1. note the above pressures which will be reported to the Fire and Rescue Authority with the recommendations of the panel;
2. note the risk attached to each planning assumption.