



AGENDA ITEM: 11

NORTH WALES FIRE AND RESCUE AUTHORITY EXECUTIVE PANEL

21st September 2009

BUDGET OPTIONS FOR 2010/11

**Report by Dawn Docx,
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Purpose of Report

- 1 This paper builds upon the previous paper presented at the Executive panel on the 29th July 2009. It seeks to expand upon significant known budget pressures for 2010/11 and beyond. These pressures are set out in table A. Members are requested to note the prudent percentage increase for pay awards and inflation which could be incorporated within the budget for 2010/11.

Background

- 2 The report lists the funding pressures for next year in order to assist the Fire and Rescue Authority's budget setting process and to enhance Members' awareness of the estimated increases facing the Authority in the coming year in light of expected low RSG settlements for the Constituent Authorities.
- 3 The starting point is the revenue budget for 2009/10 which is £31.312m, which was an increase of 3.21% on the previous year. Members will be aware that the decision was taken when setting the 2009/10 budget not to underpin the budget by the use of provisions thereby making future budget setting processes more manageable.
- 4 If the known costs listed below in table A are to be part of the 2010/11 budget, there would be the need for a budget of £32.923 million which would be an increase of 5.14%. 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

- 5 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. We have assumed pay inflation of only 1.25% in preparing this estimate, based on this year's pay award for firefighters. The risk is that for every 1% agreed over the amount in the budget the Service will need to find another £237,000.
- 6 The increase in Capital charges and interest receivable for 2010/11 is estimated to be £84,000. The small increase is due to low interest rates on borrowing and phasing of the capital programme. It also includes savings on operating lease costs as lease rentals expire and enter the secondary leasing period and reflects the Authority's switch from leasing of assets to borrowing. However, the estimate for interest receivable has been reduced from £200,000 to £50,000 also due to the current low interest rates.
- 7 Inflation for fuel and other goods and services is currently very unpredictable. If members wished the non pay budget lines could be frozen, other than energy costs, where an additional £24,000 is suggested. However, the risk is that if all other budget lines increase by on average 2% this will require another £152,000.
- 8 The revenue cost of the new ICT infrastructure is also a pressure for the 2010/11 budget and this is estimated at £535k.
- 9 At this point the revenue cost of Firelink, the replacement radio system, which will be introduced in November 2009 is unknown but could be estimated at between £500k and £1m. However, negotiations are ongoing with WAG to supply funding for the first year of the scheme.
- 10 Work is still ongoing on the Job Evaluation Project for all support staff. By managing other budget lines within the 09/10 budget an amount of £169,000 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

- 11 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 we can only assume that WAG will continue to fund this work by means of direct grants.

12 **Table A: Budget pressures**

Pressure	Description	Cost £'000	% age increase
1. Pay	An assumption of 1.25% has been used.	293	0.94%
2. Other costs	Increased energy costs.	24	0.08%
3. Capital charges and loss of interest on deposits.	These are unavoidable charges for borrowing money for capital. Interest paid on money held in deposit accounts is less than expected when the budget was set last year.	84	0.27%
4. General Inflation @ 2.3%	Consumer Price Index used as this is the most macroeconomic of indices (Apr 09 rate).	175	0.56%
5. Firelink	WAG have agreed to fund the second phase costs but further costs will need to be included in the 2010/11 budget. Revenue costs are still unknown, between £500K and £1 million.	500	1.60%
6. ICT	The introduction of Firelink has resulted in additional revenue requirements for supporting ICT infrastructure. Other projects will continue to require capital expenditure, such as Fire Records Management System and Network Upgrades.	535	1.69%

7. Job Evaluation	An amount of £169,195 has been set aside for costs.	0	
8. Long Term Capability Management	The transfer of all New Dimensions assets and equipment to the FRAs.	?	
TOTAL		1,611	5.14%

Recommendations

13 Members are asked to:

- (i) note the above pressures and the budget requirements;
- (ii) note the risk attached to each planning assumption.