



AGENDA ITEM: 7

NORTH WALES FIRE AND RESCUE AUTHORITY

16 March 2015

PROVISIONAL OUTTURN 2014-2015

Report by Ken Finch, Treasurer

Purpose of Report

- 1 This report is to provide Members with an estimated provisional outturn for the financial year 2014-2015.

Introduction

- 2 Expenditure against budget is monitored closely by Fire and Rescue Service staff and any variances or expected variances are highlighted as soon as they occur so measures can be put in place to ensure there is no financial risk to the Authority. Current indications are that there will be an underspend of £143,964. The detailed breakdown is contained in Appendix A, any underspends are shown with a minus (-) sign.
- 3 The report covers the actual expenditure up to the end of February and estimates the expenditure for the final month of the year.

Variances to Budget

Employee Costs

- 4 A large proportion of Fire and Rescue Service expenditure relates to pay and there are indications that there will be a net underspend on pay this year.

- 5 The majority of the underspend on pay relates to wholetime firefighters and is currently estimated to be £523k. Various factors have contributed to an underspend being reported for wholetime firefighters and include:-
 - a number of staff that are part of the establishment but their full salary costs have been netted off against sickness or maternity pay;
 - reduced additional hours and other pre-planned overtime worked because this was withdrawn as part of the action short of a strike (ASOS) throughout 2014-15.
 - reduced working hours due to strike action throughout the year.
- 6 The estimated underspend on retained firefighters is £412k. Some of the original budget has been used to pilot a group of flexible firefighters to improve establishment cover, called WDS rural firefighters.
- 7 These 18 WDS rural firefighter posts are contracted to work for a minimum of 21 hours per week, with the original expectation that they would work on average 30 hours a week. However because they have had to cover the shortfall in additional hours which was caused by the FBU withdrawing additional hours as part of ASOS, the WDS rural firefighters have been working up to 42 hours a week. This has resulted in an overspend against the original budget, but this is off-set by savings on the wholetime budget.
- 8 The underspend on the Chief Officers budget relates to the currently vacant Assistant Chief Fire Officer post.
- 9 The underspend on Support Staff can be attributed to a number of vacant posts being filled later than estimated.
- 10 The overspend on Firefighter Pensions is due to an additional injury payment made during the year that was not known when the budget was set.
- 11 The increase in new recruits has meant that it has been necessary to provide more training than was originally estimated when the budget was set. It is estimated that the training budget will be overspent by £29k.

Premises

- 12 On the premises budget there will be an underspend on National Non Domestic Rates. The reduction in costs is due to changes to the rateable values of a number of premises following commissioning an external specialist to carry out a revaluation exercise. This was very beneficial with some refunds being backdated to 2010.
- 13 Replacement premises have been leased to provide accommodation for the ICT department and Stores. Accommodation is required for the ICT department as their current offices are due to be de-commissioned when the lease expires at the end of March 2015. Re-location of Stores will free up much needed storage space for the Fleet department and enable them to give up the lease on another unit. There will be an overspend on rents this financial year due to the additional premises but when the old leases expire rental costs will be reduced.
- 14 It is estimated that the maintenance budget will be overspent due to additional planned maintenance works commissioned for Aberdyfi fire station.

Transport

- 15 Overall, the Transport budget is estimated to be underspent by £63k. There are additional costs associated with trialling the use of flexible WDS rural firefighters to provide cover over a number of stations; the purchase of new equipment for fleet; and increased insurance costs. However, these additional costs are offset by savings on fuel and vehicle repairs as there has been an impact on this expenditure because of the industrial action.

Supplies

- 16 The Authority has recruited a number of new RDS firefighters and due to the increase in numbers it will be necessary to purchase additional personal protective equipment, this has been reflected as an overspend in the Uniforms and Laundry budget head.

- 17 It is currently estimated that there will be an underspend on Computer costs due to the renegotiation of licences and maintenance contracts which has resulted in reduced costs compared to the original budget.
- 18 The overspend on Communication costs is due to the costs for Firelink being higher than anticipated due to an unexpected indexation charge which has now been agreed at a national level.
- 19 Conference and subsistence expenses will be overspent due to the accounting treatment for Rhyl Community Fire Station (RCFS), which is set up as a trading account. Any excess of expenditure over income is then charged to the revenue account. In this year it is estimated to be £22k. There is also an increase in the eligibility for subsistence claims due to the additional distances travelled and hours worked by firefighters providing cover for rural stations. The subsistence budget is expected to be overspent by £9k.
- 20 Expenditure on special projects such as the 'Joint Emergency Services Group' (JESG) will be less than budget due to activity levels being less than the previous year. However, the underspend is offset by a decrease in grant funding which is shown under the income heading 'Emergency Planning'.

Support Services

- 21 The cost to the Authority for Facilities Management will increase this year. An additional Project Manager has been assigned to the Fire and Rescue Service due to the increase in the capital projects managed by the team this year. However, the increase in costs will be covered by additional income as these costs are charged to the capital programme as fees.

Capital Financing

- 22 The debt charges associated with the capital programme are estimated to be less than the original budget due to the prevalence of low interest rates and the necessary delay on the Wrexham Fire and Ambulance project and the planned rescheduling of the Tywyn and Nefyn projects. Lower interest costs have also been achieved by 'internally borrowing', where reserves and balances have been used to fund the programme rather than taking out new borrowings.

Income

- 23 Overall it is estimated that income will be slightly higher than the original budget. There has been a welcome reduction in special service calls but this has resulted in less income being raised than anticipated when the budget was set. A reduction in the Emergency Planning grant is offset by a reduction in costs under the JESG budget heading. And as mentioned previously income from Capital Fees has increased in line with expenditure incurred.

Underspend

- 24 At the September meeting of the Fire Authority Members agreed to set aside £300k of the underspend to fund the purchase of vehicles and equipment that is required for the new WDS Rural Firefighters. This has been reflected in the outturn as a contribution to reserves.
- 25 A report was presented to the Executive Panel on the 27 October 2014 informing Members of the potential risks associated with the new national contract for radio communication. The existing nationally procured contract is due to end in December 2016 and it is possible the service may incur additional costs in the following areas:-
- a. If the timescales for transition are not met it may be necessary to extend the current contract which could be significantly more expensive.
 - b. The current system is partially funded by a grant from the Welsh Government and it is not guaranteed that this will continue.

Some Fire and Rescue Authorities are providing for up to £1million to cover transitional costs. Given these risks Members agreed to set £300k in to a reserve to cover any additional costs which may be significant. Given that the costs may be significantly more it is recommended that any remaining underspend be set aside to cover these costs.

- 26 The Authority has purchased replacement fireboots and thermal Imaging Cameras earlier than anticipated so that they could be procured with the other two Fire and Rescue Authorities in Wales. In order to make savings on future years' capital financing budgets it is recommended that this capital equipment is purchased from a contribution from revenue. The cost of the equipment is £181k and is shown as a contribution to capital.
- 27 To reduce the revenue budget in future years the remaining operating leases have now been bought out so in future the Authority will no longer incur any lease charges. The cost to the Authority of the 'buy out' is £131k and as we are now purchasing the vehicles it is capital expenditure. In order to make savings going forward on capital financing costs it is recommended that the vehicles are funded from a revenue contribution.

Recommendation

- 28 Members are asked to;
- (i) set aside £312k to finance capital expenditure, to reduce future debt charges;
 - (ii) agree that any remaining underspend be set aside to cover Firelink transitional costs.