



AGENDA ITEM: 11

NORTH WALES FIRE AND RESCUE AUTHORITY

21 June 2010

FINANCIAL PERFORMANCE 2009-2010

Report by Ken Finch, Treasurer

Purpose of Report

- 1 This report is to provide Members with a review of the financial performance of the Authority for 2009-10.
- 2 To request the Fire Authority to delegate responsibility for the approval of the audited Statement of Accounts to the Audit Committee.

Introduction

- 3 In previous years Members would have been presented with the Draft Statement of Accounts for approval at the June meeting of the Fire Authority. However, due to legislative changes - Accounts and Audit Regulations (Amendment Wales) 2010 - it is no longer a requirement for the Fire Authority to approve the draft accounts by 30 June, by this date the new legislation requires that the accounts are 'signed off' by the responsible financial officer. It is, though, still a requirement that the audited accounts are approved by Members by 30 September. However, due to the set meeting dates of the Fire Authority it will not be possible to have the accounts approved by that deadline and it is requested that the Audit Committee be given delegated powers to undertake this responsibility.
- 4 In light of the changes detailed above and the tight deadline for reports for the June meeting, it was considered that it would be appropriate and meaningful for Members to receive a report on the financial activity for the year rather than the 'technical' Statement of Accounts.

- 5 The first part of the report reviews the revenue expenditure for 2009-10 against budget with the financial breakdown included in Appendix A. The second part of the report comments on Reserves and Provisions held by the Authority, the provisions and the proposed changes are detailed in Appendix B. The next section of the report looks at the schemes that were grant funded with a detailed breakdown of the schemes in Appendix C. The final part of the report discusses capital activity for the year the details of which can be found in Appendix D.

Revenue Activity

- 6 As can be seen from the graph a large proportion of Fire and Rescue Service expenditure relates to pay; 72% for 2009-10. Overall the net pay budget was underspent by £591k which is in line with the estimates provided to Members in the outturn reports throughout the year.
- 7 The underspend on wholetime firefighters can mainly be attributed to the pay award being less than budgeted - 1.25% was awarded against a budgeted increase of 2.5%. Another contributory factor to the underspend is the revenue grant funding of nearly £300k which was received in March from the Welsh Assembly Government to cover the employee cost of providing every operational member of the Service with training for the new radio system.
- 8 The underspend on retained firefighters can also be attributed to the pay award against budget and the establishment levels being lower than provided in the budget.
- 9 Local Government Services Staff shows an overspend for 2009-10. Included in the expenditure is an estimate of the 'Job Evaluation Upgrades' which relate to 2009-10 as pay will be back dated to 1 April 2009; this accounts for £84k of the overspend. The remainder of the overspend is due to temporary upgrades pending job evaluation and the employment of additional staff to undertake this project. The remaining £85k of the job evaluation budget has been transferred to a provision to cover the future costs of job evaluation as was detailed in the 'Pay Modeller' approved by senior officers.

- 10 The overspend on Pensions is due to the payment of commutation and pension payments to two retained firefighters who have retired on ill-health grounds in this financial year.
- 11 The additional cost under Premises, Repairs and Maintenance, is due to the increase in electrical testing for health and safety reasons and additional expenditure that has been grant funded. Refuse collection is also showing an overspend under Premises due to the increased cost of trade waste disposal.
- 12 Under Transport the underspend on fuel is due to the slight decrease in fuel prices compared to last year (budget estimates were based on last year's prices). This offsets increases in maintenance and running costs which have increased due to the international exchange rate increasing the cost of components.
- 13 Under the Supplies and Services heading the main area of overspend was on IT and Communications costs due to an increase in licensing costs, network upgrades and development work on a number of systems. The overspend on Supplies and Services has been offset by savings elsewhere in the budget.
- 14 Under Agency the cost of building cleaning and grounds maintenance has increased due to the change in the specification of cleaning contracts and grounds maintenance works.
- 15 Facilities management costs have increased due to the extra work necessary to ensure all premises meet increased regulatory requirements. However, this has been offset by the income generated from capital fees due to work carried out by the department on capital projects.
- 16 The estimated income from interest has not been achieved due to the low interest rates. However, this has been offset by savings on Capital Financing due to slippage on the capital programme in 2008-09 and savings on interest payments due to the re-scheduling of PWLB debt.
- 17 Emergency Planning income is a reimbursement from the Welsh Assembly Government for special projects. This has increased due to additional funding being recently secured for a New Dimensions Trainer.

- 18 The income from sales has come in over budget due to the sale of surplus equipment that had not been included in the budget.
- 19 In overall terms the budget for the year has been carefully managed and the majority of the underspend had been reported previously for approval and earmarked for specific schemes.

Reserves

- 20 Under the terms of the Combination Order the Authority did not have the statutory power to hold Reserves. Legislation has now been passed to allow Fire Authorities in Wales to hold Reserves and this is the first year that this can be exercised. A Reserve can be defined as a voluntary action by the Authority to set resources aside for future schemes.
- 21 The Authority had during the 2010-11 budget setting process agreed to set aside £128k of the underspend to cover the cost of additional temporary support posts. The funding for this was generated from the discounts received from re-scheduling PWLB loans.
- 22 A Reserve has been set aside for a number of smaller schemes, totalling £63k. These have been approved by senior officers and consist mainly of purchase of equipment and training.

Provisions

- 23 The Authority has always been able to hold Provisions and in the past the Auditors have frequently disputed the Provisions held by the Authority and their compliance with the definition set out in FRS12. A provision is set aside when the Authority has a present obligation as a result of a past event (legal or constructive) and it is probable that a settlement will be made some time in the future.
- 24 In 2008-09 a Provision was set aside to cover pension back pay due to incorrect payments, this was discovered when the administration of the scheme was transferred to Carmarthenshire. In 2009-10 the pension back pay was paid from the revenue account so the Provision is no longer needed. The balance on the

Provision has been transferred in to the Retained Back Pay Provision.

- 25 The Pension Provision is held by the Authority to cover payments in to the pension fund for ill health retirements. A review has been undertaken of the provision and an estimate of future requirements made. The surplus on the Provision has been transferred in to the Retained Back Pay Provision.
- 26 A Provision has been created for job evaluation costs the details of which are discussed in paragraph 9.
- 27 Negotiations on the back pay for retained firefighters are still continuing but based on the latest developments a robust estimate has been made of the costs to the Authority. The expected costs are expected to be between £600k and £700k. The Retained Back Pay Provision has been increased to £506k to cover some of this liability the remainder of the costs will have to be found from savings in the revenue budget in 2010-11.

Grant Funded Schemes

- 28 The Authority has received funding for a number of schemes mainly from the Welsh Assembly; the total funding received is in excess of £2m. Much of this funding such as Firelink were one off grants and will not be paid again. Members will be aware of a number of the schemes and the benefits to the community created from operating them. The larger schemes funded by grant are Phoenix, Interventions and Arson Reduction Team. A comprehensive list of the schemes is detailed in Appendix C.

Capital Activity

- 29 The original capital budget was set in December 2008 and was based on new spend and rollovers from previous years. As previously reported to Members a number of schemes had been held back so that there would be sufficient funding for Wrexham Fire Station. Delays to the start of the Wrexham and the Llangefni projects meant that expenditure was less than estimated in 2010/11.

- 30 The programme for replacing Water Tenders has suffered some unexpected delays but it is estimated that the programme will catch up as there are a number of vehicles on order and delivery is expected in 2010-11.

RECOMMENDATIONS

- 31 Members approve the transfer of the underspend to Reserves and Provisions.
- 32 Members delegate responsibility for the approval of the audited Statement of Accounts to the Audit Committee.