



## **AGENDA ITEM: 8**

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

**18 March 2013**

#### **PROVISIONAL OUTTURN 2012-2013**

**Report by Ken Finch, Treasurer**

#### **Purpose of Report**

- 1 This report is to provide Members with an estimated provisional outturn for the financial year 2012-2013.

#### **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 £31,787. The detailed breakdown is contained in Appendix A, any underspends are shown with a minus (-) sign.
- 3 The estimated underspend is small when compared to the budget of £32million. The report covers the actual expenditure up to the end of February and estimates the expenditure for the final month of the year. It also includes possible accruals for expenditure that has been incurred but may not be paid by the end of the financial year. The report presented to Members in December estimated the underspend would be in the region of £363k with an additional £502k being set aside in to reserves. However, due to some ongoing issues with the Capital Programme it has been necessary to allocate revenue funding towards professional fees incurred on capital projects. Another report on the agenda will discuss these issues further. This allocation means that the underspend in the

year has been greatly reduced and the £300k that was to be transferred to a 'RDS Pensions Back Contributions Reserve' will no longer be possible, and any liabilities will have to be met from the General Reserve. Any underspend in the year should therefore be set aside in to the General Reserve to assist in offsetting these costs.

## **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 Included in the budget for Firefighters–Wholetime is a savings target of £500k which was agreed by Members during the budget setting process which was to be achieved through the introduction of a new rostering system. The two previous outturn reports had estimated that the savings target would not be achieved by a significant amount (£481k and then £211k). It can now be reported that the number of wholetime personnel who have left or will be leaving the service has increased and the margin has been reduced to £65k.
- 6 The estimated underspend on retained firefighters has increased since the last report from £435k to £529k. The increase in the underspend is due to a reduction in training and incident fees due to the recruitment freeze that has been in place. The reduction in the costs of retained firefighters has not impacted on front line services as cover on some retained stations has been provided by wholetime firefighters mainly from the Operational Resource Pool (ORP) (when the new rostering situation was introduced for wholetime firefighters the ORP was set up in order to provide cover for absences with the ORP being made up of posts that were not allocated a role on the roster; membership of the ORP is on a voluntary basis).
- 7 The underspend on Support Staff can be attributed to a restructuring exercise which has resulted in vacant posts being filled later than estimated and a number of posts not being filled at this time. With the need to make savings in future years it is expected that a number of these vacant posts will be deleted.

- 8 The underspend on the Chief Officers budget relates to the vacant Assistant Chief Officer post which has not been filled following the retirement of the previous post holder.
- 9 The miscellaneous budget head will be overspent due mainly to an increase in the employers' national insurance contribution due on lease car users following a review by HMRC.
- 10 The overspend on Local Government pensions is due to the payment made by the employer in to the pension fund to cover the costs of employees that have taken early retirement through redundancy.

### **Premises**

- 11 On the premises budget the main areas of overspend will be on energy costs and National Non Domestic Rates (NNDR). Energy costs have increased significantly and whilst there are plans in place to reduce consumption the increase in cost per unit is greater than the savings achieved on reduced consumption. The overspend on NNDR can mainly be attributed to the increase in rates payable for Llangefni following a revaluation of the premises due the recent refurbishment.
- 12 The underspend on Rent is due to the recent purchase of Headquarters which has resulted in savings on rent but additional costs under Capital Financing. The net position is a saving to the Authority on an annual basis and ownership of the building vested in the Authority.
- 13 The overspend on Repair and Maintenance costs is due to DDA works requisitioned for the Headquarters building which had not been budgeted for.

### **Transport**

- 14 Overall the Transport budget is estimated to be overspent by £5k. This is due mainly to the increase in fuel costs which has been partially offset by savings on Repair and Maintenance costs.

## **Supplies**

- 15 Operational equipment will be overspent due mainly to the increased costs associated with the hydraulic equipment contracts which came in higher than the original estimate.
- 16 It is currently estimated that there will be an underspend on Communications costs due to a delay in the roll out of the development work which has resulted in a saving on Firelink costs and line rentals in the current year.
- 17 The overspend on Computer Costs is due to the decision to invest in additional computer equipment specifically for front line service personnel. This equipment will assist in service delivery and save costs on capital repayments in future years.
- 18 There has been a reduction in insurance premiums following a competitive tendering process.
- 19 The overspend on subscriptions is due to the increase in the cost of membership of the Chief Fire Officers Association not known at the time of budget setting.
- 20 The Audit fees have increased by £19k due to additional work that has been requisitioned following a decision taken at the Executive Panel in February.

## **Support Services**

- 21 The estimated overspend on Facilities Management will partly be offset by an increase in income from capital fees which is shown in the income section on the last page of the appendix. However, not all the additional costs will be recovered due to slippage on the capital programme resulting in facilities staff working more on the annual maintenance programme which cannot be recharged out.
- 22 The costs associated with employment legal advice are higher than the original budget as it has been necessary to obtain advice on a number of issues that have arisen during the year.

## **Capital Financing**

- 23 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 delay on some major projects such as the Wrexham, Tywyn and Nefyn fire stations. An additional line has been included under this heading to show the charges for the purchase of headquarters as detailed in paragraph 12.

## **Income**

- 24 The Sales income relates mainly to the income received from the disposal of a number of vehicles that are no longer required. In any one year it is difficult to predict how much will be received as it depends on vehicle disposals within the year and the amount achieved at auction.
- 25 Special Service Calls is less than budget due to a reduction in the number of incidents the Authority raises invoices for. There has also been a decrease in income earned from outside training courses as a decision was taken that a more effective use of the resources is to deliver the community fire safety message.
- 26 Interest on balances is also less than the original estimate due to the prevalence of low interest rates. However, this is more than compensated for by the corresponding reduction in interest paid on borrowing.

## **Contribution to Reserves**

- 27 At the meeting of the Executive Panel on 19 November 2012 it was agreed that officers should proceed with the purchase of the ambulance station in Deeside which is attached to the fire station. The most cost effective option for the major re-development of the site is if the land and buildings currently owned by the Welsh Ambulance Service Trust is vested in the Fire Authority. Members agreed that the purchase cost could be funded from the revenue underspend in 2012/13, therefore £127k has been set aside to fund the purchase.

- 28 In the previous outturn report Members agreed to set aside £300k to offset the costs to the Authority of backdating the employer's pension contribution for those RDS firefighters with service between 1 July 2000 and 5 April 2006. However, this will no longer be possible and any liabilities will now have to be met from the General Reserve. The estimated underspend of £32k should be set aside in to the General Reserve to offset these costs.

### **Recommendation**

- 29 Members are asked to note the estimated underspend and agree in principle to allocate money to reserves as detailed above.