



AGENDA ITEM: 8

NORTH WALES FIRE AND RESCUE AUTHORITY

19 December 2016

PROVISIONAL OUTTURN 2016/2017

Report by Dawn Docx, Interim Treasurer

Purpose of Report

- 1 This report is to provide Members with an estimated provisional outturn for the financial year 2016/2017.

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 no underspend and £536,617 of reserves will be needed to support the budget for 2016/17. During the budget setting process it was estimated that £760,417 of reserves would be required in order to set a balanced budget. 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 November and estimates the expenditure for the final 4 months of the year.

Variances to Budget

Employee Costs

- 4 Over 70% of the fire and rescue service expenditure relates to pay and there are indications that there will be a net overspend on pay this year.

- 5 Following a review of the provision of fire cover a number of wholetime (WDS) firefighters were employed on WDS rural contracts along with a number of firefighter apprentices. The new recruits are providing cover on retained duty system (RDS) stations as well as on wholetime stations. During the budget setting process an estimate was made of the anticipated number of hours of cover to be provided by the new recruits but, due to more cover being required for long term sickness and RDS availability, they are providing more hours than originally anticipated. This is causing an overspend on the wholetime firefighters' budget but it is offset by the savings on the RDS firefighters' budget.
- 6 The underspend on the chief officers budget relates to the currently vacant assistant chief fire officer post.
- 7 The overspend on the support staff budget relates mainly to specialist skilled staff who have been employed on fixed term contracts in order to deliver on a number of key transformational projects such as the replacement of the command and control system and the new management information system.
- 8 It is estimated that the training budget will be overspent by £50k because of the cost of training the newly recruited firefighters.
- 9 During the year the opportunity arose to transfer some finance work to Conwy County Borough Council. This has resulted in some members of support staff being offered redundancy. The cost of these redundancy payments will be recovered by savings in staffing costs next year.
- 10 The overspend on the pensions budget is due to the cost of ill-health retirements, which were not anticipated at the time of setting this budget.

Premises

- 11 Overall the premises budget will be underspent by £13k. The significant variances are on the repairs and maintenance budget and the energy budget. The repairs and maintenance budget at this time is estimated to be overspent. This is partly due to a

contingency amount being added to the outturn position to cover the new Wrexham fire station. The building has been occupied for under 12 months so the running costs at this point can only be estimated. The additional costs will be partially offset as it is estimated that there will be a significant reduction in electricity costs, up to 30% on some sites, due to reduced consumption and new energy contracts which have been negotiated by the facilities department.

Transport

- 12 Overall the transport budget is estimated to be underspent by £157k. The additional costs on the plant and equipment budget is due to the fleet department making provision to provide a maintenance service at the new Wrexham station in collaboration with WAST and North Wales Police. Current indications are that fuel costs and travel expenses will be less than the original budget due to the reduction in fuel prices and the current activity levels.

Supplies

- 13 The overspend on operational equipment is due to necessary repairs to containers used for training at Dolgellau and Airbus and maintenance on fitness equipment to ensure they are compliant with health and safety requirements.
- 14 It is currently estimated that there will be an overspend on computer costs. The majority of the overspend is due to the additional costs associated with the new national contract for radio communication. Members will be aware of the project and the risks involved. Last year £300k was set aside to cover some of the additional costs of the transition but at this stage in the year the additional costs will be offset by the savings on the communications budget due to a number of factors which include a reduction in the cost of line rentals and call costs.
- 15 Expenditure on special projects such as the 'Joint Emergency Services Group' (JESG)/National Issues Committee will be less than budget due to activity levels being less than the previous year. The underspend is offset by the decrease in income received to fund these projects.

- 16 The co-responding pilot is being extended and will be rolled out to additional stations this year. No budget was set for the pilot as it was expected that the additional costs could be met from within the overall budget. However, £7k of the overspend is covered by additional income received from recharges. This is shown as an increase on the miscellaneous income budget.
- 17 The professional fees budget will be overspent due to an increase in the actuarial charges and an increase in the brokerage fees for arranging short term loans.

Agency

- 18 The additional costs incurred on the occupational health budget line is because of the need to provide additional medical screening for firefighters. This is a new requirement by the Health and Safety Executive to test for signs of asbestosis.

Capital Financing

- 19 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 use of short term borrowing to fund the capital programme. 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

- 20 Overall it is estimated that income will be slightly lower 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. Income from capital fees has decreased in line with expenditure incurred on the capital programme and the re-alignment of the capital budget. The additional income from sales is due to the income achieved from the disposal of vehicles and equipment as they are replaced or are no longer required.

Grant Income

- 21 The grants that have been awarded by the Welsh Government so far this financial year are as follows:-

Firelink - £415,600 (included in the outturn figures)

Arson Reduction Team - £153,705

Interventions - £196,000

National Resilience Wales Revenue - £221,636

National Resilience Wales Capital - £118,665

Phoenix - £170,000

Local Resilience Forum - £53,142

Community Assistance Team (CAT) - £72,000

- 22 Any additional expenditure incurred by the Authority in order to meet the terms of the grant will be covered by the grant income. This expenditure is not shown in the budget outturn statement.

Recommendation

- 23 Members note the financial position of the Authority.