



AGENDA ITEM: 9

NORTH WALES FIRE AND RESCUE AUTHORITY

20 June 2011

FINANCIAL PERFORMANCE 2010-2011

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 2010-11.

Introduction

- 2 In previous years Members would have been presented with the Draft Statement of Accounts for approval at the June meeting of the Fire and Rescue Authority. However, due to legislative changes the audited accounts need only be presented to Members for approval by 30 September.
- 3 Due to the changes above in June 2010 Members were presented with a report on the financial activity for the previous financial year rather than the 'technical' Statement of Accounts. This report is similar to last year and ensures Members are kept up to date regarding the financial position of the Authority.
- 4 The first part of the report reviews the revenue expenditure for 2010-11 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

- 5 As can be seen from the graph a large proportion of Fire and Rescue Service expenditure relates to pay; 73% for 2010-11. Overall the net pay budget was underspent by £241k which is slightly higher than the estimates provided to Members due to a prudent approach being taken on the reporting of the outturn estimates for incident fees so any possible contingencies would be covered.
- 6 The pensions budget is overspent due to some ill health retirements in the year; these had not formed part of the original estimate and are not funded through the pensions account.
- 7 The support and prevention staff budget is underspent as some of the additional Community Fire Safety posts which were to be funded from savings on the ALP posts have not been filled. This is a result of a cautious approach to budget management.
- 8 The underspend on Wholetime firefighters is fairly modest at £134k against a budget of £14m. The underspend is due partly to savings against the budget for the continuous professional development (CPD) payment scheme due to a low initial take up.
- 9 The additional cost under Premises is due mainly to an accounting exercise on the Rhyl Community Fire Station trading account which is posted to revenue at the end of the financial year. The deficit on the account has increased by £18k compared to last year due to an increase in staffing costs following the job evaluation exercise and additional staff required to cover the reception desk at the facility. However, the additional staff also undertake some administrative work for other areas of the Service such as Community Fire Safety.
- 10 The overspend on Transport is due mainly to the increase in the international exchange rate increasing the cost of components.

- 11 Under the Supplies and Services heading the main area of overspend is on Operational Equipment due to a reduction in stock levels where the cost of the stock is charged to revenue. The underspend on Communications and Computer costs is due to a delay to Phase 2 of the development work which has resulted in savings in the current year.
- 12 The underspend on Audit fees is due to the offset of current year fees against an accrual for the previous year which was over estimated resulting in reduced costs in this financial year.
- 13 Under Agency the cost of building cleaning and grounds maintenance has increased due to inflation.
- 14 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 and re-negotiation of the rents for joint sites.
- 15 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 re-programming of the capital programme in 2009-10; savings on interest payments by switching loans from fixed to variable; and by borrowing outside the PWLB. The discount of £34k is the remaining balance from money received from loans that were re-scheduled in 2009 in accordance with correct accounting procedures.
- 16 Emergency Planning income is reimbursement from the Welsh Assembly Government for special projects. This has decreased due to changes within funding for the New Dimensions programme.
- 17 The income for Special Service Calls is less than budget due to a reduction in the number of incidents the Authority raises invoices for.

- 18 There has been a decrease in income earned from outside training courses in particular commercial fire safety. The decision was taken to cease this service as it was decided that a more effective use of the resources would be to deliver the community fire safety message to the business community at large.
- 19 In overall terms the budget for the year has been carefully managed and the majority of the underspend had been reported previously. The underspend will be set aside into a general reserve which will provide some assurance that there are funds available to assist in future years and will mean that the Authority can draw on these funds rather than having to request supplementary levies.

Reserves

- 20 This is the second year that the Authority is allowed to hold reserves due to legislative changes. A Reserve is defined as a voluntary action by the Authority to set resources aside for future schemes. The Authority held £418k in reserves as at 1 April 2010 and due to effective budget management has not had to use reserves to fund expenditure in year.
- 21 It is prudent for the Authority to build up a General Reserve and it is anticipated that the areas where it will be used will be:-
 - any transitional costs involved with the Officer Cover Review;
 - to offset fuel increases not budgeted for;
 - to cover any contingent liabilities that may arise; and
 - to cover the costs of any early retirements on the grounds of efficiency.
- 22 With the transfer of the underspend for 2010-11 the balance on the reserve will be £1.045m. The balance on the reserve is not substantial when compared to the reserves held by the other Welsh Fire and Rescue Authorities.

Provisions

- 23 The Authority has always been able to hold Provisions and a provision is defined as 'funds 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'. The Authority currently has two Provisions which are discussed below.
- 24 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. It is estimated that the balance on the provision is sufficient to meet these requirements.
- 25 It is estimated that a settlement on the back pay for retained firefighters will be made in 2011-12. The balance on the provision is sufficient to meet the expected costs.

Grant Funded Schemes

- 26 The Authority has received funding for a number of schemes mainly from the Welsh Assembly; the total funding received is in excess of £1.7m. 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, Arson Reduction Team and Firelink. A comprehensive list of the schemes is detailed in Appendix C.

Capital Activity

- 27 The original capital budget was set in December 2009 and was based on new spend and rollovers from previous years. As previously reported to Members a number of schemes had been held back in order that there would be sufficient funding for Wrexham Fire Station. Delays to the start of the Wrexham project meant that expenditure was less than estimated. Members agreed in year to increase the budget for planned maintenance by £500k so that a backlog of works could be undertaken. The Llangefni project was originally to have been completed in 2009-10 but due to unexpected delays the project was completed in 2010-11.

When the budget was set it was anticipated that all the spend would fall within the previous financial year.

- 28 The programme for replacing Water Tenders had suffered some delays but the programme has started to catch up and the delivery of some vehicles expected early in the new financial year. The expenditure incurred in 2010-11 is the stage payments made to the supplier which are paid on completion of agreed levels of the vehicle build.
- 29 The programme for the replacement of the PPE uniform was brought forward to 2010-11 in order to be able to jointly procure with the other Fire and Rescue Authorities in Wales.
- 30 This report was presented to the Audit Committee on 6 June 2011 in order for the contents to be reviewed before submission to the Fire and Rescue Authority. The Audit Committee had no major observations nor could it find any major risks in the report and would recommend the underspend of £626,741 be transferred to a General Reserve to cover possible future liabilities as outlined in paragraph 21 above.

RECOMMENDATION

- 31 Members approve the transfer of the underspend to a General Reserve.