



AGENDA ITEM: 10

NORTH WALES FIRE AND RESCUE AUTHORITY

19 September 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 £484,320 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 August and estimates the expenditure for the final 7 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 underspend on pay this year.

- 5 The majority of the underspend on pay relates to retained firefighters, £281k. The outturn position is based on the current number of employees and takes into account trends in allowances and turnover based on previous years' experience and activity levels to date.
- 6 Following a recruitment process earlier this year a number of wholetime (WDS) firefighters were employed, the majority of them were employed on WDS rural contracts. Along with the firefighter apprentices they are providing cover at wholetime stations, in addition to providing cover on retained duty system (RDS) stations. This means that they are working more hours than anticipated when the budget was set and this has resulted in an anticipated overspend of £394k. However, the overspend is offset by the savings on RDS firefighter budgets.
- 7 The underspend on the chief officers budget relates to the currently vacant Assistant Chief Fire Officer post.
- 8 The overspend on the support staff budget relates mainly to specialist skilled staff who have been employed on fixed term contracts to provide additional knowledge. They are required to deliver on internal transformational projects, such as the replacement command and control system and the new management information system.
- 9 North Wales Fire and Rescue Service is currently in the process of recruiting additional RDS firefighters. This will mean that it will be 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 £26k.
- 10 The overspend on the pensions budget is due to the contribution to the firefighters pension fund for ill health retirements. If there is an overall budget shortfall then this can be met from the earmarked reserve set aside to cover these additional payments.

Premises

- 11 Overall the premises budget will be slightly underspent by £5k. The significant variances are on the repairs and maintenance budget and the energy budget. The energy budget is estimated to be overspent because, prudently, a higher estimate for the running costs for the

new Wrexham fire station has been included. The actual running costs are currently unknown until we have occupied the building for 12 months. However, any overspend will be offset by savings on energy costs 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 £108k. The additional costs on the plant and equipment budget are due to the fleet department making provision to potentially provide a maintenance service at the new Wrexham station in collaboration with WAST and North Wales Police. The savings on the repair and maintenance budget is due to additional work carried out in-house and efficiencies achieved over a number of contracts. Current indications are that fuel costs will be less than the original budget due to the current activity levels and the reduction in fuel prices.

Supplies

- 13 The Authority has changed suppliers for the PPE managed care contract and, due to an overlap of contracts, a slight overspend on the uniforms budget is expected.
- 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 can be funded from the revenue budget.
- 15 However the communications budget is estimated to be underspent due to a number of factors which include a reduction in the cost of line rentals, mobile phone rentals, call costs and hardware purchases.
- 16 Conference and subsistence expenses will be overspent due to the increase in the eligibility for subsistence claims from the additional distances travelled and hours worked by firefighters providing cover for rural stations. The subsistence budget is expected to be overspent by £17k.

- 17 Expenditure on special projects such as the 'Joint Emergency Services Group' (JESG)/NIC 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.
- 18 The co-responding pilot is being extended and may 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, £10k of the overspend is covered by additional income received from recharges. This is shown as an increase on the miscellaneous income budget.
- 19 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

- 20 The cost to the Fire and Rescue Authority for building cleaning has increased as a cleaning contract has been let to clean all stations. Previously cleaning at RDS stations was carried out by county council cleaners and by RDS firefighters who were paid an allowance to undertake these duties. The additional costs will be partially met from savings on cleaning allowances. The benefit of the new contract is that there are now standards in place to ensure all stations are cleaned to a higher specification, improving the facilities for the firefighters that operate out of the stations.
- 21 The additional costs incurred on the occupational health budget line are due to the requirement to provide additional medical testing.

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 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

- 23 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

- 24 Following the audit of the Statement of Accounts it was recommended that Members are informed of the grants that have been awarded to the Authority for the current financial year so they are informed fully of the financial position of the Authority. The grants that have been awarded 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

- 25 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

- 26 Members note the financial position of the Authority.