



AGENDA ITEM: 8

NORTH WALES FIRE AND RESCUE AUTHORITY

17 March 2014

PROVISIONAL OUTTURN 2013-2014

Report by Ken Finch, Treasurer

Purpose of Report

- 1 This report is to provide Members with an estimated provisional outturn for the financial year 2013-2014.

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 £613,684. 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 January and estimates the expenditure for the final 2 months of the year. Incident levels are down on previous years but there are still 2 months of the year to go and a spate of bad weather could mean additional resources will be needed to fund call out fees.

Variances to Budget

Employee Costs

- 4 A large proportion of Fire and Rescue Service expenditure relates to pay and there will be a net underspend on pay this year.

- 5 The majority of the underspend on pay relates to retained firefighters and is currently estimated to be £614k. Members will recall extensive presentations about the difficulty of recruiting firefighters to work the retained duty system. Despite a recruitment drive the establishment is still less than budgeted, resulting in savings on retaining and drill fees. To mitigate the impact the Fire and Rescue Service has been piloting a new flexible system where cover on some retained stations is being supplemented by wholetime firefighters providing additional hours as and when required.
- 6 As a result of the industrial action there has been a small reduction in the pay costs of firefighters. However, the cost to the Authority of preparing for industrial action has outweighed any reduction in pay costs.
- 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.
- 8 As a result of the low number of recruits during the year the training budget will be underspent by £81k.
- 9 The overspend on firefighter pensions is due to an additional injury payment made during the year which was unknown at the time of setting the original budget.

Premises

- 10 On the premises budget there will be an overspend on repair and maintenance costs. The overspend is due to the fact that the annual maintenance contracts were due to be re-tendered after the budget setting process so it was not possible to predict inflationary pressures due to market conditions. The contracts are necessary to ensure the property portfolio is maintained to a required standard and comply with health and safety legislation.
- 11 Due to the rising cost of energy and the increase in standing charges it is estimated that there will be an overspend on energy costs.

Transport

- 12 Overall the Transport budget is estimated to be underspent by £63k. This has occurred because of the prudent decision to extend the lease term on vehicles in the car hire scheme which has resulted in a

reduction in the annual lease payments. Expenditure on fuel has significantly reduced this year because of a reduction in miles travelled and the roll out of the speed limiter to the majority of the vehicles in the fleet. The planned workstreams for the Fleet department have also had to be extended because of having to prepare for industrial action and as a result of this there has been a reduction in repair and maintenance costs. These costs will have to be incurred in the next financial year.

Supplies

- 13 Operational equipment will be overspent due to the higher than expected cost of external hydraulic contracts. Next year the work will be undertaken in-house to reduce the cost.
- 14 There will be an underspend on communications costs due to renegotiating the communications contracts, this has resulted in a saving on Firelink costs and line rentals in the current year.
- 15 The overspend on Computer Costs is due to the software development costs associated with the new Fleetwave system. Money was set aside in a reserve last year to cover the development costs but due to the overall underspend it may not be necessary to use the reserve.
- 16 The Welsh Fire and Rescue Services' National Issues Committee (NIC) was established in 2012 to improve collaborative working, service delivery and sustained service improvement. The Authority as part of the group has agreed to contribute towards the cost of the NIC co-ordinator's salary which will be offset by the savings generated by the NIC.
- 17 Conference and subsistence expenses will be overspent due partly to the accounting treatment for Rhyl Community Fire Station (RCFS), which is set up as a trading account. Any excess of expenditure over income is then charged to the revenue account. In this year it is estimated to be £9k.
- 18 There is a managed underspend in the corporate communications budget.

Agency

- 19 The underspend on Grounds Maintenance costs is due to the re-tendering of the contract in partnership with North Wales Police resulting in lower costs.

Capital Financing

- 20 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, the necessary delay on the Wrexham Fire and Ambulance project and the planned rescheduling of the Tywyn and Nefyn projects.

Income

- 21 Overall it is estimated that income will be slightly higher than the original budget. Income from joint sites will be less than budget as the budget was based on the previous year's activity. There has also been a welcome reduction in special service calls which has resulted in less income being raised than anticipated when the budget was set. However, this is offset by the income from the sale of vehicles and plant which is higher than budgeted, as it is difficult to predict exactly the number of vehicles that will be disposed of in any one year.

Contribution to Reserves

- 22 At the meeting of the Fire and Rescue Authority on 16 December 2013 Members agreed in principle to use the revenue budget to finance part of the capital programme in the current year which will reduce the future debt charges arising from the current programme and reduce the budget in coming years. To further reduce future debt charges it is suggested that any remaining underspends be used to offset these charges, current indications are that this could be in the region of £614k.

Recommendation

- 23 Members note the estimated underspend and agree to set money aside to finance approved capital expenditure, to reduce future debt charges.