



AGENDA ITEM: 9

NORTH WALES FIRE AND RESCUE AUTHORITY

17 December 2012

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 £363,007. 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 November and estimates the expenditure for the final 4 months of the year. The effect of the recent floods across North Wales will not have a financial impact on the service until December when the payments are made for November callouts (there is a possibility that some of the costs could be recovered through the Emergency Financial Assistance Scheme). If the spate of bad weather continues then the underspend will be reduced as additional resources will be needed to fund call out fees. Due to this uncertainty it is therefore recommended that Members merely note the underspend at this point.

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. The savings target was to be achieved through the introduction of a new rostering system which reduced the number of Firefighters needed by 22 posts. It was hoped that the reduction in the number of Firefighters could be achieved through natural wastage. The last outturn report presented to Members on 15 October estimated that the savings target would not be achieved by a significant margin (£481k). However, since the last report the situation has changed and the number of wholetime personnel who have left or will be leaving the service has increased, which has reduced the margin to £211k.
- 6 The estimated underspend on retained firefighters has increased since the last report from £279k to £435k. The increase in the underspend is due to the suspension of recruitment in order to offset the known overspend on wholetime firefighters. This has resulted in a reduction in retaining fees and call out fees. The cover on some retained stations is being provided by wholetime firefighters from the 'Operational Resource Pool' (when the new rostering for duty was introduced for wholetime firefighters a 'Pool' was set up in order to provide cover for absences. The pool is made up of people who volunteered to be seconded from fire stations and into the pool.) However, there is still a risk that if there are a number of major incidents over the next four months then the underspend could easily translate in to a budget deficit.
- 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 yet 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 into the pension fund to cover the costs of employees that have taken early retirement. This then saves the authority the future salary costs associated with those posts.

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 to 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.

Transport

- 13 Overall the Transport budget is estimated to be overspent by £10k. This is due to the increase in fuel costs.

Supplies

- 14 Operational equipment will be overspent due mainly to the increased costs associated with the hydraulic contracts which came in higher than the original estimate.

- 15 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.
- 16 The underspend on Computer Costs is due to negotiations with software companies to reduce licence costs and the decision to retain some of the current operating platforms in order to reduce costs.
- 17 There has been a reduction in insurance premiums following a competitive tendering process.
- 18 The overspend on subscriptions is due to the increase in the cost of membership of Chief Fire Officers' Association which was not known at the time of setting the original budget.

Support Services

- 19 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.

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

Income

- 21 The Sales income relates mainly to the income received from the disposal of a number of vehicles that are no longer required by the service. 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.

- 22 Special Service Calls is less than the budget due to a reduction in the number of incidents the Authority can raise 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 to the business community.
- 23 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

- 24 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.
- 25 There has been a reduction in training expenditure due to a fall in the number of new recruits entering the service and the need to find more cost effective methods of training. However, to ensure that operational staff have the necessary newly developed national qualification in incident command, it is recommended that £75k is set aside from the underspend for Incident Command courses.
- 26 As Members will be aware Retained Duty System (RDS) firefighters have recently been awarded back pay associated with their claim under the Part-Time Worker (Prevention of Less Favourable Treatment) Regulations 2000. The agreement reached did not extend to the pension claim. Negotiations are currently on-going between the Fire Brigades Union and the Department for Communities and Local Government which would grant retrospective access to the firefighters' pension scheme. An assessment has been made of the costs to North Wales Fire and Rescue Authority of backdating the employer's contribution for

those RDS firefighters with service between 1 July 2000 and 5 April 2006 and it is estimated that the maximum cost to the Authority could be in the region of £960k. Given this possibility it is prudent to set money aside from the underspend to offset any future liabilities should a settlement be reached. It is therefore proposed that £300k be set aside to offset these costs.

Recommendations

- 27 Members note the estimated underspend and agree in principle to set money aside in to reserves as detailed above.