



AGENDA ITEM: 9

NORTH WALES FIRE AND RESCUE AUTHORITY

21 March 2016

PROVISIONAL OUTTURN 2015-2016

Report by Dawn Docx, Deputy Chief Fire Officer and Interim Treasurer

Purpose of Report

- 1 This report is to provide Members with an estimated provisional outturn for the financial year 2015-2016.

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 £35,298. 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 February and estimates the expenditure for the final month of the year.

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 The majority of the underspend on pay relates to retained firefighters, £532k. The outturn position is based on current numbers of firefighters employed and takes in to account trends in allowances and turnover based on previous years' experience and activity levels to date.

- 6 In order to support rural fire cover, North Wales FRA introduced wholetime duty system (WDS) rural firefighters. The new WDS rural firefighters are contracted to work for a minimum of 21 hours per week, with the original expectation that they would work on average 30 hours a week. However, there has been an increased requirement for the WDS rural firefighters to provide cover on wholetime stations due to retirement and to cover maternity leave. This has been required whilst seeking to recruit and train new firefighters. In order to provide this cover the WDS rural firefighters have been working up to 42 hours a week. The additional hours and the new posts have resulted in an estimated overspend against the original budget; the additional costs are covered by savings on the RDS and wholetime firefighter budgets.
- 7 The wholetime firefighters budget is showing an underspend of £310k against the original budget. As firefighters have left or retired there has been a time delay between their departure and the recruitment of replacement firefighters, which was done in conjunction with the other FRAs in Wales. As mentioned above this cover has been provided by WDS rural firefighters.
- 8 The underspend on the chief officers budget relates to the currently vacant Assistant Chief Fire Officer post.
- 9 The overspend on the engineering craftsmen budget is due to the employment of an apprentice mechanic, so the service has the additional resources to undertake more vehicle maintenance in-house. This is reflected in the underspends within the transport repair and maintenance budgets.
- 10 There will be an overspend on the firefighter pensions budget due to costs charged to the revenue budget for ill health retirements which were not known when the budget was set.
- 11 The staff training budget will be overspent due to additional pressures following the recruitment of 10 apprentices; and the corresponding pilot. The recruitment of additional staff has also meant that advertising costs have exceeded the original budget.

Premises

- 12 Overall the premises budget will be underspent by £23k. There have been additional costs incurred on the repairs and maintenance budget due to additional unplanned works on reported faults. There has also been an increase in the use of cleaning materials following the employment of contractors to carry out the cleaning on fire stations and the cost of refuse collection has increased. However, the overspends on a number of budget heads are offset by the underspend on energy costs due to a decrease in fuel consumption following the campaign to reduce usage and the unit prices for gas and electricity remaining low.

Transport

- 13 Overall the transport budget is estimated to be underspent by £73k. The overspend on the repair and maintenance budget is due to an increase in tooling works which has necessitated the purchase of additional equipment. More work is being undertaken in-house but there has been a cross-over period where it has been necessary to use external contractors to ensure the work is completed within the deadlines set. The additional costs are offset against savings on fuel and travelling expenses due to lower fuel prices and less travelling following the changes to the delivery of home safety checks.

Supplies

- 14 The Authority has purchased new uniform and operational equipment under the N.I.C. all Wales uniform procurement framework and as such some items have been purchased in advance in order to achieve savings on procurement, this has resulted in an estimated overspend of £15k on uniform and £56k on operational equipment.
- 15 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 system. Members will be aware of the project from the paper presented to the Executive Panel on the 20 July 2015. In this paper the details of this UK wide communications project was explained along with the potential for significant risks to the Authority. Last year Members agreed to set aside £300k to cover

some of the additional costs of the transition to the new system but at this stage in the year the additional costs can be funded from the revenue budget. The overspend is partially offset by savings on the communications budget. This is due to lower costs of the mobile phone contract, landlines and communications hardware.

- 16 Conference and subsistence expenses will be overspent due to the accounting treatment for the rhy1 community fire and rescue 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 £6k. There is also an increase in the eligibility for subsistence claims due to the additional distances travelled and hours worked by firefighters providing cover for rural stations. The subsistence budget is expected to be overspent by £5k.
- 17 Expenditure on special projects such as the 'joint emergency services group' (JESG), NIC initiatives, national operational guidance programme and the co-responding pilot will be overspent by £80k. The overspend is primarily due to the costs associated with the co-responding pilot. This is a new initiative so no budget was allocated during the budget setting process as the costs at this time were unknown. Due to underspends elsewhere these costs can be accommodated within the overall budget.

Agency

- 18 The cost to the Authority for Building Cleaning has increased as a cleaning contract has been let to clean all stations. Previously, cleaning at some RDS stations was carried out by RDS firefighters who were paid an allowance to undertake these duties. Part of the additional costs will be met from savings on cleaning allowances.

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 re-scheduling of the capital programme for building works in 2014/15. The capital charges for repayment of debt are less than the budget as the budget was set based on the outturn position as at December 2014. 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 higher than the original budget. A refund of £34k has been received due to changes in the tax allowances for operating leases. This relates to former leases held by the Authority. Additional income has also been received for funded posts to work with two Local Authorities in North Wales.

Capital Expenditure funded from revenue

- 21 In order to reduce costs in future years it has been decided to fund some of the capital expenditure on short term assets through a contribution from revenue, in particular light vehicles and equipment for fleet. The savings realised will be on debt repayment and borrowing costs. Members will recall agreeing to use any underspend to fund the capital programme as part of the previous outturn report, albeit at a lower amount.
- 22 The original budget included a contribution from reserves of £223k. Due to the overall outturn position, it will not be a requirement at this time to use that reserve.
- 23 The estimated underspend is £35k and at this point in the financial year it is possible that there will be some change. To facilitate the close down procedure it is requested that Members agree in principle to use this and any additional underspends to fund the capital programme to reduce future debt charges.

Recommendation

- 24 Members note the minor underspend and agree in principle to set aside any additional underspends to fund the capital programme.