

Status of Report:

Public

Agenda Item:

8

Meeting: Corporate Governance Committee

Date: 23rd March 2016

Subject: Financial Monitoring to end of January 2016 (Period 10)

Report by: The Treasurer

Author: Adam Stretton (Area Manager – Finance) and Philippa Brown (Accountant)

For: Discussion

1. Purpose

1.1 This budget monitoring report is the second in the budget monitoring cycle. The first, covering the mid-year position, was presented to the Combined Fire Authority in December 2015. This report covers the revenue and capital budgets as at the end of January 2016 (Financial Period 10).

2. Recommendations

2.1 The Governance Committee is asked to:

- a) Note the revenue and capital budget position as at the end of January 2016.
- b) Note the transfer of £0.1m of the revenue underspend to the management of change reserve, as set out in the approved budget strategy for 2016/17 to 2019/20.
- c) Note the transfer of £0.5m of the revenue underspend to the Capital Fund.
- d) Note that further adjustments arising from in-year variances will be considered in the year-end outturn report to be presented in the summer.
- e) Make any observations to the Chief Fire and Rescue Officer, Treasurer or the CFA.

3. Executive Summary

3.1. The CFA has previously agreed revenue and capital carry forwards from 2014/15 and to a revised revenue budget and capital programme based on the mid-year position.

3.2. The mid-year revisions transferred some £0.7m of revenue budget savings to reserves and identified on-going savings which were subsequently reflected in the budget strategy for 2016/17 to 2019/20, approved by the CFA in February.

3.3. This report identifies a further £1.1m of in-year revenue savings across a range of budgets, which are largely reflected in the aforementioned future budget strategy; and £0.4m slippage on the updated capital programme.

3.4 The key reason for the savings is the success of the service in controlling its employee costs, after the original IRMP and reductions programme was approved in the summer. Savings have been achieved from reduced headcount, reductions in overtime, and achievement of temporary secondments of fire fighters to other authorities. In effect, the savings approved in the summer have been achieved more quickly than was originally envisaged, due to management action.

4. **Revenue Budget**

4.1 The budget figures have been updated to reflect the budget carry forwards agreed by the CFA on 9th July 2015, together with the mid-year virement and transfers agreed on 9th December 2015.

4.2 The mid-year revisions transferred some £0.7m of revenue budget savings to reserves and identified on-going savings which were subsequently reflected in the budget strategy for 2016/17 to 2019/20. The budget figures in this report exclude these savings, for which in-year budgets have been already been adjusted.

4.3 Further underspends totalling a net £1.1m have subsequently been identified. Of these, some £0.8m are judged as on-going and are also reflected in the approved budget strategy.

4.4 The budget position at January is summarised in Table 1 overleaf.

Table 1 - 2015/16 Revenue Budget	Annual Budget after mid-year adjustments	Forecast outturn	Forecast (Underspend) / Overspend
	£000	£000	£000
Employees	27,210	26,500	(710)
Premises	2,240	2,180	(60)
Transport	1,130	1,060	(70)
Supplies and Services	3,350	3,350	0
Capital Financing	2,800	2,800	0
Total Expenditure	36,730	35,890	(840)
Controllable Income	(2,049)	(2,319)	(270)
Net Budget	34,681	33,571	(1,110)

- 4.5 The £0.8m savings judged as on-going into future years, and already reflected in the approved budget strategy, have arisen largely from the success of the service in controlling its employee costs, after the original IRMP and reductions programme was approved in the summer. In effect, these savings have been achieved more quickly than originally envisaged.
- 4.6 The key components of the savings are as follows:
- £290k savings on operational pay and overtime, including the control room. There is a lower than anticipated headcount due to outcomes of the Operational Reduction Programme and less demand on retained firefighters, together with less control room staff.
 - £170k savings on other employee related costs, including training which is being provided more efficiently, reductions in mileage claims and lower spend on clothing and uniform as headcount reduces.
 - £270k of additional firefighter secondment income due to the outcomes of the Operational Reduction Programme and regional contributions for a review of future training provision.
 - £90k on energy and vehicle fuel, reflecting lower prices and usage levels.
- 4.7 Further in-year savings totalling a net £0.3m are either one-off or are not sufficiently certain at this stage to be reflected in adjustments to the on-going budgets:
- £90k savings on operational overtime, due to more efficient management of operational staffing resources across the service. Activity will be monitored in 2016/17 before any permanent budget changes are made.
 - £200k saving on firefighters pensions, due to the introduction of the 2015 scheme. These could not be accurately quantified until recently. The 2016/17 budget will be reviewed in due course.
 - £50k on premises rents and fleet maintenance, due in large part to the purchase of newer vehicles. Both budgets will be reviewed in 2016/17.
 - Offset in part by net additional costs of £50k, including increased public transport costs of secondees to other services and additional medicals, alongside lower than budgeted subsistence costs. The longer term outlook for these budgets will also be kept under review in 2016/17.
- 4.8 It is proposed that £0.6m of the net forecast saving should be used as follows:
- £0.1m will be added to the management of change reserve, as set out in the approved budget strategy for 2016/17 to 2019/20.
 - £0.5m will be transferred to the Capital Fund, the purpose of which is to manage peaks and troughs in capital expenditure in future years. Adding to the fund means the policy of funding capital expenditure from revenue

(approved in the 2016/17 budget) can be further extended at less cost to future budgets.

- 4.9 The balance of the underspend is not allocated at this time, but will be considered in the end of year outturn report in the summer. By this time, requests for carry forward of underspends and any additional funds needed to implement the IRMP will be clearer.

5. Capital Programme

- 5.1 The updated capital programme as approved by the CFA in December is £3.65m, as set out in Table 2 overleaf.

Table 2 - 2015/16 Capital Programme	Programme after mid-year adjustments	Actual Spend at Period 10	Forecast outturn	Forecast Slippage
	£000	£000	£000	£000
Vehicles	50	4	4	(46)
Property - Castle Donington	1,987	1,618	1,987	0
Property - other schemes	395	30	201	(194)
Operational equipment	137	86	86	(51)
Fire Control Project	730	66	730	0
Finance system upgrade	70	0	0	(70)
ICT improvements	281	109	265	(16)
Total Programme	3,650	1,913	3,273	(377)

- 5.2 Schemes either fully or substantially complete include:

- Sharepoint Infrastructure Architecture and Taxonomy
- IRMP Workload Modeller
- Breathable Fire Tunics
- Premises Improvement Project

- 5.3 However, slippage of £377k into 2016/17 has been identified:

- £46k of expenditure on the aerial ladder platform will not occur until 2016/17, resulting in slippage of £46k against vehicles.

- £194k of planned premises related works will slip, due to capacity to resource the work.
- £51k of spend on new operational equipment will slip. The Breathing Apparatus Communication system and the associated Bluetooth enabled radios are new technology and a pilot trial will be undertaken before a procurement decision is made, resulting in slippage of £51k.
- The project to upgrade the Agresso finance system is now underway; however the planned spending will not occur until 2016/17, resulting in slippage of £70k.
- A preferred supplier to undertake website redevelopment has been identified. The project will run to the summer of 2016 and hence slippage of £16k is now expected.

6. Report Implications / Impact

6.1. *Legal (including crime and disorder)*

a) None.

6.2. *Financial (including value for money, benefits and efficiencies)*

These are included in the main body of the report.

6.3. *Risk (including corporate and operational, health and safety and any impact on the continuity of service delivery)*

It is important to be aware of how the budget is progressing as it enables early action to be taken to address any issues that arise.

6.4. *Staff, Service Users and Stakeholders (including the Equality Impact Assessment)*

None, as this is a monitoring report.

6.5. *Environmental*

None.

6.6. *Impact upon Our Plan Objectives*

None, as this is a monitoring report.

7. Background Papers

- a) Budget 2015/16 (CFA 11th February 2015)
- b) Final Outturn 2014/15 (CFA 9th July 2015)

- c) Mid-Year Financial Monitoring and Treasury Management (CFA 9th December 2015)
- d) Budget Strategy 2016/17 to 2019/20 (CFA 10th February 2016)

8. Appendices

None.