

Status of Report:

Public

Agenda Item:

13

Meeting: Combined Fire Authority

Date: 22 June 2016

Subject: Revenue and Capital Outturn 2015-16

Report by: The Treasurer

Author: Adam Stretton (Area Manager – Finance)

For: Decision

1. Purpose

1.1 This report informs the Combined Fire Authority (CFA) of the final revenue and capital outturn figures for 2015/16. The figures are subject to External Audit review before the final Statement of Accounts is submitted for approval to the CFA in September 2016. It seeks approval to carry forward funds and to make further transfers to reserves.

2. Recommendations

2.1 The CFA is asked to:

- a) Note the revenue and capital final outturn position for 2015/16.
- b) Agree the revenue (£118k) and capital (£711k) carry forward proposals.
- c) Agree that the net revenue saving (after carry forwards) of £1.32m, is transferred to the Management of Change earmarked reserve.
- d) Give Delegated Authority to the Chief Fire Officer in conjunction with the Treasurer and Chair to utilise funds in the Management of Change earmarked reserve on projects which will improve the efficiency of the service or enable savings to be progressed.

3. Executive Summary

3.1. The CFA has previously agreed revenue and capital carry forwards from 2014/15 and to an updated revenue budget and capital programme based on the mid-year position. 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. Corporate Governance Committee agreed a further transfer of £0.6m in March 2016.

- 3.2. The final outturn indicates that the CFA has achieved savings against its revised revenue budget of £1.830m across a range of budgets, which are largely reflected in the aforementioned future budget strategy; and £1.253m slippage on the updated capital programme. A number of areas are requested for carry forward into 2016/17 which are noted in this report.
- 3.3. The main rationale behind the savings is the management action taken to reduce all expenditure from the start of the financial year. Actions were implemented after the Medium Term Financial Strategy identified significant predicted reductions in future funding based on published estimates from the Office of Budget Responsibility. The savings shown in this report show the success of the service in controlling its employee costs, after the original Integrated Risk Management Plan (IRMP) and employee 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. Despite the savings, operational capacity and performance in response and prevention work has been maintained. Some areas have seen restricted expenditure whilst awaiting the outcomes of the future management, premises and fleet reviews in 2016/17. Overall, the savings approved in the summer have been achieved more quickly than was originally envisaged, due to the management action taken.
- 3.4. Under the Accounts and Audit Regulations 2011, the Responsible Finance Officer (The Treasurer) has to certify the draft Statement of accounts by the 30th June 2016 for submission to External Audit.

4. Report Detail

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 and those agreed by the Corporate Governance Committee on the 23rd March 2016.
- 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.
- 4.3. Further savings totalling a net £1.1m were subsequently identified. Of these, some £0.8m are judged as on-going and are also reflected in the approved budget strategy. The Corporate Governance Committee agreed in March 2016 to transfer £0.6m of this to Earmarked Reserves, with any further adjustments to be considered in this outturn report.
- 4.4. The final outturn position is summarised in Table 1 overleaf.

Table 1 - 2015/16 Revenue Budget	Annual Budget after adjustments	Final outturn	Actual (Savings) / Overspend
	£000	£000	£000
Employees	26,890	25,960	(930)
Premises	2,240	2,040	(200)
Transport	1,140	960	(180)
Supplies and Services	3,350	3,000	(350)
Capital Financing	3,400	3,310	(90)
Total Expenditure	37,020	35,270	(1,750)
Controllable Income	(1,910)	(1,990)	(80)
Net Budget	35,110	33,280	(1,830)

4.5 Of the total savings, £0.94m is judged as ongoing into future years. These are already reflected in the approved budget strategy, having 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. These were substantially reported in the report to the Corporate Governance Committee in March 2016.

4.6 Further in-year savings of £0.89m identified below are either one-off or are not sufficiently certain at this stage to be reflected in adjustments to the on-going budgets. Some of the areas identified will inform the service reviews into management structure, premises and fleet in 2016/17.

- £110k savings on operational overtime due to more efficient management of operational staffing resources across the service.
- £60k savings on administrative staff pay mainly due to reduced use of agency staff and the non-filling of vacant posts.
- £140k savings on the repairs and maintenance budget with only essential work being undertaken.
- £60k savings on transport related costs in fleet maintenance and operating and finance lease costs of service vehicles.
- £350k savings in Supplies and Services the most significant item being the non-payment of Tri-Service Control system maintenance costs in 2015/16.

- £90k savings on capital financing due to the use of earmarked reserves to fund redundancy and relocation costs.
- Additional income of £80k has been realised through the Emergency First Responder initiative, the regional recharge of an Area Manager for work on the provision of operational training and the recovery of legal costs following a successful prosecution last year.

4.7 **Carry Forward Requests**

It is proposed that the revenue carry forward requests in the table below are agreed to meet specific areas of expenditure in 2016/17:

Fire Investigation	£3,300	For additional training materials and coverall suits (PPE).
Hydrant Maintenance	£15,500	To cover services for orders placed but not delivered by the 31 st March 2016.
Civil Contingencies	£6,500	Operational equipment for large scale operational exercise held in June 2016.
Fire Protection Group	£4,000	To purchase electronic short audit form for the CFRMIS system.
Fire and Rescue Service Equality Framework	£7,000	To continue project work for peer reviews to achieve the 'Excellent' level.
Operational Guidance Programme	£20,000	2016/17 contribution to deliver National Operational Guidance.
Opinion Research Services	£4,000	To undertake the service wide employee survey and reporting outputs.
CFOA	£5,300	Contribution towards the creation of UKFRS R&D function.
Fire Bike	£28,900	Purchase and development of a motor bike and scenario filming as a training resource for road safety and advice. Additional funding to be supplied from successful bids to the Road Safety Partnership.
Technical Rescue	£23,500	Uniform refresh on orders placed but not delivered by the 31 st March 2016.
TOTAL	£118,000	

4.8 A summary of the revenue outturn position 2015/16 is shown below:

	£'000
Total revenue saving against adjusted budget	1,830
Less carry forwards proposed	(118)
Less financing of capital programme slippage	<u>(392)</u>
Remaining balance to transfer to reserves	<u>1,320</u>

It is proposed that the remaining balance of £1.32m is transferred into the Managing Change earmarked reserve. It is further proposed that Delegated Authority is given to the Chief Fire Officer in conjunction with the Treasurer and Chair to utilise funds in this reserve. This will be for expenditure on projects which will improve the efficiency of the service or enable savings to be progressed.

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 below. The Capital Programme achieved an underspend of £1.253m, with £542k as permanent savings and £711k as slippage into 2016/17.

Table 2 - 2015/16 Capital Programme	Programme after mid-year adjustments	Actual Outturn	Variance	Carry Forward
	£000	£000	£000	£000
Vehicles	50	4	(46)	0
Property - Castle Donington	1,987	1,652	(335)	150
Property - other schemes	364	0	(364)	76
Operational equipment	137	86	(51)	51
Fire Control Project	730	411	(319)	319
Finance system upgrade	70	0	(70)	70
ICT improvements	312	244	(68)	45
Total Programme	3,650	2,397	(1,253)	711

5.2 Schemes either fully or substantially completed in 2015/16 include:

- The Aerial Ladder Platform
- Castle Donington Fire Station
- Breathable Fire Tunics
- Premises Improvement Project

5.3 However, it is proposed that slippage of £711k is added to the 2016/17 Capital Programme as below:

- £150k is required to complete grounds work, hydrant installation, signage and other snagging items at Castle Donington Fire station. The project is due for completion in August 2016.

- £76k of planned premises related works to erect drill towers at Ashby and Wigston Fire Stations.
- 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.
- £319k as the balance of £1.8m capital grant awarded by DCLG for the Tri-Service Control Project. Final payments to the supplier are due in 2016/17.
- 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.
- £45k slippage on ICT improvement projects.

It is proposed that £392k of the slippage is funded through revenue from the savings identified in paragraph 4.4. This will reduce the burden of debt and conform to financial plans in the Medium Term Financial Strategy. The Tri-Service Control element (£319k) is funded by government grant which is held with Derbyshire Fire Authority as the lead accountable body for the project, who monitor spending on behalf of all three authorities.

5.4 The Capital Programme identifies an underspend of £542k across various projects:

- £46k for reduced equipment requirements on the new Aerial Ladder Platform.
- £185k on construction costs for the Castle Donington build following substantive completion of the works in 2015/16.
- £288k due to property work on other schemes being held back pending the forthcoming condition survey and premises review in 2016/17.
- £23k reduction in ICT improvement projects mainly due to a lower utilisation of consultancy time.

5.5 The current balances held on general and earmarked reserves including the proposals in this report are:

Management of Change Earmarked Reserve:	Budget 2016/17	£1.80m
	Proposed transfer	£1.32m
	Funds Available	£3.12m
Capital Fund Earmarked Reserve :	Budget 2016/17	£1.3m
	CGC March 16	£0.5m
	Funds Available	£1.8m
Severance Earmarked Reserve:	Funds Available	£0.417m

Other Earmarked Reserves:	Funds Available	£0.813m
General Reserve:	Funds Available	£3.00m

5.6 **Treasury Management**

There were no departures from the Treasury Management Policy Statement, which was agreed by the CFA on the 11th February 2015 in respect of Prudential indicators or sources and methods of borrowing.

6. **Report Implications / Impact**

6.1. ***Legal (including crime and disorder)***

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

6.5. ***Environmental***

None.

6.6. ***Impact upon Our Plan Objectives***

None.

7. **Background Papers**

- a) Budget 2015/16 (CFA 11th February 2015)
- b) Mid-Year Financial Monitoring and Treasury Management (CFA 9th December 2015)
- c) Budget Strategy 2016/17 to 2019/20 (CFA 10th February 2016)
- d) Financial Monitoring to end of January 2016 (Corporate Governance Committee 23rd March 2016)

8. **Appendices**

None.