

LEICESTERSHIRE

FIRE and RESCUE SERVICE

Status of Report: Public Agenda Item: 8

Meeting: Combined Fire Authority
Date: 9th July 2015
Subject: Final Outturn 2014/15
Report by: The Treasurer
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For: Decision

1. Purpose

The purpose of this report is to inform the Combined Fire Authority (CFA) of the final capital and revenue outturn figures for 2014/15. The figures in this report are subject to External Audit review before the final Statement of Accounts are submitted for approval to the CFA in September 2015. It also seeks approval to carry forward £1,196,012 for capital projects, £307,680 for specific revenue projects, to transfer £1,407,083 to earmarked reserves and £26,720 from earmarked reserves. The report also seeks to inform the CFA of the Treasury Management activities undertaken in the financial year 2014/15.

2. Executive Summary

The final outturn indicates that as a result of sustained budget management the CFA has achieved savings against its revenue budget of £1,688,043. A number of areas are requested for approval for carry forward into 2015/16 and these are noted in this report. Under the Accounts and Audit Regulations 2011 the Responsible Financial Officer (The Treasurer) has to certify the draft Statement of Accounts by the 30th June 2015 for submission to External Audit. Member approval will be required for the final Statement of Accounts and to receive the External Audit opinion and certificate at the CFA meeting on the 24th September 2015.

3. Report Detail

- 3.1. The CFA agreed the revenue and capital budgets for 2014/15 at its meeting on the 12th February 2014. Since then the following changes have been made to them:
 - The Policy Committee at its meeting of the 7th May 2014 agreed to increase the Capital Programme by a further £125,000 to reflect urgent works to the heating system at Western Station. The amount was to be funded through a Revenue Contribution to Capital Outlay (RCCO) from the Repairs and

Maintenance budget.

- Revenue (£455,034) and Capital (£4,359,519) carry forwards from 2013/14 were agreed by the CFA on the 25th June 2014. The carry forwards are included in the appendices to this report.
- The Policy Committee at its meeting of the 27th August 2014 agreed a further virement of £263,218 to the Unallocated General Reserve from a number of revenue budgets. This was to reflect the in-year savings identified at that time through the Organisational Change Project (OCP).
- The Policy Committee at its meeting of the 27th August 2014 also agreed to increase the Capital Programme by a further £125,000 for extension building works at Eastern Station. The amount was to be funded through a RCCO from the Repairs and Maintenance budget.
- The Policy Committee at its meeting of the 5th November 2014 agreed to reduce the Capital Programme by £125,000 due to the cancellation of works at Eastern Station and to vire this amount back to the Revenue Repairs and Maintenance budget. The Policy Committee also agreed to increase the Capital Programme by £39,050 for Community Fire Risk Management Information System (CFRMIS) Integration work funded through RCCO. It was also agreed that the RCCO underspend of £54,480 for the Training Rig and Shepshed Station remodeling would be utilised to support the 2014/15 Capital Programme to reduce borrowing.
- The CFA at its meeting on the 10th December 2014 agreed to a Revised Capital Programme of £5,733,356, a reduction of £2,274,721 as set out in **Appendix 1**. The CFA also agreed to the Revised Revenue Estimate and the transfer of a further £100,870 to the Unallocated General Reserve.
- The CFA at its meeting of the 11th February 2015 agreed to reduce the budget for the Wide Area Network (WAN) upgrade by £127,498 for works to take place as part of the 2015/16 capital programme.
- The Policy Committee at its meeting of the 4th March 2015 agreed that the RCCO underspend of £17,525 for the replacement heating system at Western Station should be utilised to support the 2014/15 Capital Programme to reduce borrowing.

3.2. This report indicates the current financial position compared against the 2014/15 Revised Revenue Estimate and the 2014/15 Revised Capital Programme. The nine Billing Authorities issued Council Tax bills in late March / early April 2014 and all payments for 2014/15 (£17,150,638 in total) have now been received from them. Payments in respect of Non Domestic Rates (NDR) totaling £3,288,384 have also been received from these Authorities. The Department for Communities and Local Government (DCLG) has made ongoing payments in respect of the CFA's Revenue Support Grant for 2014/15 (£10,190,016 in total). Following the decision to opt out of the Leicestershire and Rutland Business Rates Pool in 2014/15, DCLG have paid £4,811,932 in respect of NDR Top up.

Capital Programme

- 3.3. **Appendix 1** is a detailed summary of the Capital Programme showing actual expenditure that occurred to Period 12, compared to the Revised Capital Programme. This appendix indicates that at the end of March 2015, expenditure on the Capital Programme is £1,636,583 less than anticipated. A significant proportion of this amount (£1,196,012) is requested to be carried forward into 2015/16 in order to meet the anticipated completion dates of existing approved projects. The remaining underspend of £440,571 has the effect of reducing the CFA's borrowing requirements and has provided a revenue underspend of £64,022 in 2014/15. The capital items with progress to report are set out in the following paragraphs.
- 3.4. Appendix 1 shows that the Aerial Ladder Platform is to be funded through a finance lease. This is on the basis of a 15 year replacement cycle. There is a possibility that the replacement cycle could increase to 20 years. In both scenarios an options appraisal will be undertaken to determine the best route for funding the special appliance. Initial discussions with the CFA's Treasury Management advisers, Capita, suggest that the use of Public Works Loan Board (PWLB) borrowing would be the best and cheapest option. Although the vehicle was delivered in March 2015 there remains some preparatory work to be done before it can become operational. It is proposed that the underspent balance of £50,318 is carried forward into the 2015/16 Capital Programme to meet existing commitments for the fitting of stowage for equipment and the installation of radio equipment.
- 3.5. The Birstall Project incorporating the new Headquarters, Station and relocation of the Control function to Southern Station will underspend by £240,372. It is anticipated that the cost of any outstanding defect issues will be met by the current retention held by the CFA. It is proposed that an amount of £30,000 is carried forward into the 2015/16 capital programme to cover outstanding professional fees (£5,000) and the erection of the tower from the closed Syston Station at Wigston Station (£25,000).
- 3.6. The Castle Donington Project will not complete until December 2015. The 2014/15 budget was based on an estimation of the value of works to be undertaken by the 31st March 2015. Actual costs incurred in 2014/15 have been £298,337 less than estimated at this stage. As total project costs remain unchanged, this funding will be required in 2015/16 and it is proposed that £298,337 is carried forward into the 2015/16 Capital Programme.
- 3.7. The forecast expenditure on the Tri-Service Control (Systel) Project reflects a third share of the total project costs (based on end of year monitoring information provided by Derbyshire Fire Authority). This project was funded through a total Department for Communities and Local Government (DCLG) capital grant of £5.4m awarded to Leicestershire, Derbyshire and Nottinghamshire Fire Authorities. This grant was split equally (£1.8m) between the three Authorities. Actual costs incurred in 2014/15 have been £720,301 less than estimated at this stage and represents the CFA's share of the unused capital grant, which will be carried over to the 2015/16 financial year. The grant is held by Derbyshire Fire Authority in their

role as finance lead on this project.

- 3.8. The enabling works for the new Control Room at Southern Station is complete. This has delivered an underspend of £69,165. It is proposed that an amount of £10,000 is carried forward into the 2015/16 Capital Programme to allow for the relocation of the Major Incident Room from the 1st floor to the 2nd floor (as originally planned) once the Systel project is finally implemented.
- 3.9. The £5,000 set aside for SharePoint Taxonomy is no longer required. This is now included within the agreed 2015/16 Capital Programme, which identified £62,500 for the future development of SharePoint Infrastructure and Taxonomy.
- 3.10. Software development work on the Community Fire Risk Management Information System (CFRMIS) as part of the Premises Improvement Project was not completed by the 31st March 2015. It is proposed that an amount of £31,465 is carried forward into the 2015/16 Capital Programme to meet the outstanding commitments.
- 3.11. The initial estimate of works for the replacement of the Wide Area Network totals £184,000. It is anticipated that this work will be completed by June 2015. The first payment milestone was not met by the 31st March 2015. It is proposed that the underspent balance of £55,591 is carried forward into the 2015/16 Capital Programme to meet the cost of the first payment milestone. A further sum of £127,498 was agreed by the CFA in February 2015 as part of the 2015/16 Capital Programme.
- 3.12. The work to replace the heating system at Western Station was completed at a cost of £107,475 delivering an underspend of £17,525. The budget for this work was funded through a RCCO. Policy Committee in March 2015 agreed that the RCCO underspend should be used to support the 2014/15 Capital Programme and reduce the borrowing requirement.
- 3.13. The Technology Developments Capital budget has an underspend of £49,209 in 2014/15. This is mainly due to the Wide Area Network costs of £184,000 being lower than provided for in the budget (£227,201) as carry forward from 2013/14.
- 3.14. The capitalisation sums due for the CFA's participation in the new Fire & Rescue Indemnity Company established by the participants in the Fire & Rescue Insurance Consortium have been sought. Following modelling work by the Consortium's external advisers and with the allocation of DCLG Transformation Fund grant in 2015/16 the Consortium have determined at the present time that no contribution is required from the CFA. The £100,000 funding for this will remain held within the Consortium Insurance Earmarked Reserve and brought back to the CFA if it is required at a future date to be included in the 2015/16 Capital Programme.
- 3.15. The CFA at its meeting of the 10th December 2014 agreed the acceptance of an offer for the sale of Moira Station. The resulting capital receipt will fall due in the 2015/16 financial year and has been incorporated in 2015/16 Capital Programme.

Revenue Budget

- 3.16. **Appendix 2** is a detailed summary of the budget showing the actual expenditure as at the 2014/15 year-end. The annual budget figures have been updated to reflect the carry forwards agreed by the CFA on the 25th June 2014, a virement of £263,218 to the Unallocated General Reserve agreed by the Policy Committee on the 27th August 2014 and a further £100,870 agreed by the CFA on the 10th December 2014.
- 3.17. This appendix includes all revenue income and expenditure attributable to the CFA. The actual Year To Date (YTD) position shown in Column 3 is the total of actual expenditure and income. The variance column represents the difference between actual expenditure / income and the revised budget. Negative figures show that the actual is underspent compared to the budget and positive figures show an overspend.
- 3.18. Ordinarily, financial budget monitoring reports submitted to the CFA have reported on variations of expenditure and income against budget above a threshold of £10,000. This threshold level was applied as it correlates to the Director's authorisation limit within the CFA's financial system. For this report, a more detailed depth of explanation has been applied. It is proposed that future financial budget monitoring reports apply the £10,000 reporting threshold.
- 3.19. **Direct Employee Expenses £746,920 underspend**

Direct Employee Expenses are shown within Appendix 2 as one line. A breakdown of these costs into employee headings is as shown in the table below:

CIPFA Description	Annual Budget £	Actual YTD £	Outturn to Budget £
Administration and Clerical	4,818,730	4,749,285	-69,445
Chief Officers	401,670	395,741	-5,929
Firefighters	18,761,537	18,282,266	-479,271
Control	1,064,540	1,041,468	-23,072
Retained	2,218,890	2,018,129	-200,761
Cooks	127,885	140,813	12,928
Manual	217,270	215,711	-1,559
Nursing	32,810	52,999	20,189
Direct Employee Expenses	27,643,332	26,896,412	-746,920

Administration and Clerical Staff

The Administration and Clerical pay budget achieved a saving of £69,445 in 2014/15. This is due to reductions in pay arising from maternity leave and the non-filling of non-essential posts across the organisation.

Firefighters

Firefighters pay is showing an underspend of £479,271. The effect of the industrial action pay deductions has resulted in an underspend of £368,140 although this is offset by the additional cost of covering the strikes at £142,380. Additionally, there is an underspend on the overtime budget of £166,960. A number of operational

manager posts in Training and Community Safety were held vacant in the year as the OCP identified that these posts would be removed in 2015/16. This resulted in a further underspending of £227,090. The underspend is offset by over establishment costs of firefighters totalling £140,539.

Control

Control pay is showing an underspend of £23,072. This relates to a £29,353 underspend on control pay, a £11,746 underspend on pensions and a £658 underspend on bank holiday payments, offset by overspends on overtime of £11,863 and employers' National Insurance contributions of £6,822.

Retained

The retained pay budgets show an underspend of £200,761. Of this, the effect of the industrial action pay deductions has resulted in an underspend of £8,725. The remainder relates to pay and employer National Insurance underspends and reflects the lower level of calls that have been experienced compared to previous years.

Cooks

The cooks pay budgets show an overspend of £12,928, which mainly relates to the cost of Agency staff at Central and Loughborough Stations prior to all the cooks being removed from the organisation.

Nursing

The overspend of £20,189 is mainly due to agency cover for maternity leave. This is offset by underspends within the administration and clerical pay budgets for Occupational Health.

3.20. Indirect Employee Expenses £192,160 underspend

This is largely due to an underspend in direct training costs (£154,123), £68,200 of which related to Fire Control training offset by increased control overtime costs. An amount of £45,000 to cover further committed training on the new control system is proposed as a carry forward into 2015/16. General training has underspent by £39,372, Detection, Identification and Monitoring (DIM) training funded by DCLG has underspent by £21,350 and Prince's Trust training by £11,188. Additionally, the International Search and Rescue Team (ISAR) was not able to conduct training in 2014/15 due to action short of strike action which resulted in an underspend of £8,000. It is proposed that a carry forward of £6,000 to enable committed training courses to run is carried forward into 2015/16. The Children's Education and Safeguarding team also underspent by £6,013 due to action short of strike action. Training at the Fire Service College has also underspent in year (£24,511). An additional underspend is due to reduced recruitment advertising (£7,289) and a refund on ill health insurance (£8,105). The remaining net overspend in this area of £1,868 is due to relocation costs of £7,120 (offset by a contribution from the Earmarked Relocation reserve) offset by small underspends on staff allowances, interview expenses and Members training.

3.21. Pensions £30,596 overspend

This mainly relates to the annual cost of Death in Service compensation payments for 2014/15 which are required to be charged to the CFA but were previously

incorrectly charged to the pension scheme. These were identified following an in year national review of changes to the Firefighters Pension Scheme dating back to 2006. The ongoing costs are included in the 2015/16 budget.

3.22. Premises Related Expenditure £82,932 underspend

The Repairs and Maintenance budget is overspent by £10,673 due to an in-year reduction in budget. However, it is proposed that commitments of £57,000 for orders raised in 2014/15 where the work has not been completed are carried forward into 2015/16. Energy costs for gas, oil and electricity show a net underspend of £96,995 and will be reduced in the 2015/16 Revised Estimate. The remaining overspend of £3,390 is due to additional costs for fixtures and fittings and premises related insurance offset by small underspends on cleaning materials, premises rental costs and water charges.

3.23. Transport Related Expenditure £169,410 underspend

Direct Transport Costs shows an underspend of £91,626. Fleet maintenance is underspent by £35,994, fuel by £45,742, with small savings on motor tax and licences (£6,246) and tyres (£3,644). Recharges is showing an underspend of £42,946 due to reduced lease costs for officers cars (£20,825) and a reduction in operating leases of vans due to non-replacement (£22,121). Car allowances shows an underspend of £41,837, £13,210 of which is due to the recent supply of provided cars for Fire Inspection staff. All of these areas of underspending will be reviewed as part of the 2015/16 Revised Estimate.

3.24. Supplies and Services £413,222 underspend

Equipment, Furniture and Materials shows an underspend of £149,333. This includes Operational Equipment (£42,543) which is mainly due to the planned procurement of thermal imaging cameras for the Training Department which was not completed by the 31st March 2015. It is proposed that £18,610 for a second water rescue capability and £23,800 for the thermal imaging cameras is carried forward into 2015/16. Hydrant installation and maintenance is underspent by £15,940 and outstanding committed orders for hydrant maintenance totalling £36,200 are proposed as a carry forward. Course materials shows an underspend of £10,424 and the purchase of smoke alarms shows an underspend by stations of £12,743. Community Safety Delivery consumables that are held within Community Safety Support Group and devolved to stations, has underspent by £38,545 across the stations. Teaching and training equipment has underspent by £25,234, mainly within Technical Rescue. The remaining underspend in this area of £3,904 is mainly due to fitness equipment (£3,885).

Catering has overspent by £12,337 in order to provide subsistence at training courses for retained staff which happen out of hours.

The Clothing, Uniforms and Laundry budget is underspent by £72,920. This is mainly due to lower than anticipated levels of demand for uniform and protective clothing (£69,326). The remaining underspend of £3,594 is due to reduced laundry and dry cleaning costs.

The Services heading shows an underspend of £68,894. This includes higher costs than anticipated for the use of appointed doctors to undertake asbestos medicals (£27,283 overspend). This is offset by an underspend of £64,854 for

Cross Border charges, which is partly offset by reduced income. Additionally, there are further underspends for professional and consultancy fees (£12,963) and external audit fees (£17,132) mainly due to refunds from the Audit Commission. The remaining underspend of £1,228 is mainly due to reduced insurance brokerage costs.

Communications and Computing shows an underspend of £103,404. This is due to underspends of £29,375 on computer hardware and software, £47,262 due to no charges being received from Systel for the new Tri-Service Control facility and £19,423 on communications licences. The remaining underspend in this area of £7,344 is mainly due to reduced IT consumables and repair costs (£7,022). £20,000 of the computer underspend is proposed as a carry forward for the one off purchase of desktop Geographic Information Systems (GIS) software to allow desktop presentation of incident data. This has been carried forward since 2011/12 but the software has not yet been purchased. The underspend also includes £12,400 which was carried forward from 2013/14 to meet the costs of the Mosaic mapping system; however this was deemed as not required. It is proposed that the same sum is carried forward into 2015/16 to meet the potential costs of the multi-agency Sentinel system.

3.25. Third Party Payments £29,297 underspend

This relates to the budget for external legal services which has underspent due to reduced legal costs.

3.26. Income £22,294 underspend

Government grants exceeded the budget by £44,467 due to additional grant being received from DCLG which was not notified in advance.

Income from other grants and reimbursements was lower than budgeted (£74,040) and mainly made up of cross border agreements income which is showing £41,804 lower than anticipated and the Prince's Trust which has received income of £11,729 less than expected although overall the Prince's Trust Team has generated a surplus of income over expenditure of £30,229. There is lower than planned dividend income from Forge Health Limited of £45,930 offset by an overachievement in Occupational Health recovered costs of £50,493 which is shown in the Customer and Client Receipts heading. There is also higher than anticipated insurance income of £22,683. Other overachievements in grants and reimbursements total £2,740 (mainly due to Youth Diversion Activity income) and £17,069 in Customer and Client Receipts. This includes ISAR income for Ebola work (£5,800), additional Special Services income (£2,906), sale of training activity (£5,362), sales of operational equipment on EBay (£2,083) and increased net traded income (£918).

Interest income is underachieved by £15,695 mainly due to the decision to use internal funds to avoid Capital Programme borrowing costs.

3.27. Capital Financing Costs £64,022 underspend

External interest paid to the PWLB and finance leasing companies has underspent by £46,009 and minimum revenue provision by £18,013. These are both due to deliberate action of using revenue funds to support the capital programme and

delayed borrowing until rates were at their most advantageous.

Carry Forward Requests

3.28. Revenue

There are two areas where goods and services for orders placed in the 2014/15 financial year have not been delivered until after the 31st March 2015. These commitments are requested to be carried forward and are detailed below:

Repairs and Maintenance	£57,000	Para 3.22
Hydrant Maintenance	£36,200	Para 3.24
TOTAL	£93,200	

In addition there are requests for carry forward as per the table below:

Fire Control Project Training Costs	£45,000	Para 3.20
ISAR Training	£6,000	Para 3.20
Second Water Rescue Capability	£18,610	Para 3.24
Thermal Imaging Cameras	£23,800	Para 3.24
GIS Desktop Software (Premises Improvement Project)	£20,000	Para 3.24
Sentinel Trial/Post Trial System	£12,400	Para 3.24
Develop Fire Training Facility at Kendrew	£15,000	Note 1
Improved Training Software Package	£3,000	Note 2
Video Recording Glasses for Job Related Tests	£1,000	Note 3
Temporary Additional Costs for Cleaning at Southern	£6,420	Note 4
Premises Improvement Project	£5,000	Note 5
Equality Framework Excellence Level	£10,250	Note 6
Haywood's Pension System	£25,000	Note 7
Technical Rescue Uniform	£23,000	Note 8
TOTAL	£214,480	

Note 1 – For development of the Fire Training Facility at Kendrew Barracks.

Note 2 – To develop an automated linked software package for training administration.

Note 3 – To purchase 10 sets of video recording glasses that enable training instructors to provide robust evidence of the activities being undertaken by course participants.

Note 4 – To meet increased cleaning costs at Southern Station following the establishment reduction and Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) transfer of a member of staff as part of the Organisational Change Project.

Note 5 – To meet a commitment to upgrade the CFRMIS web system as part of the Premises Improvement Project.

Note 6 – To undertake peer reviews in order to achieve the 'Excellent' level of the Fire and Rescue Service Equality Framework.

Note 7 – The cost of the Haywood's pension system for statutory changes relating to the Firefighters 2015 Pension Scheme was previously underestimated by Haywood's.

Note 8 – A technical refresh of the uniform provision for Technical Rescue in line with guidance documentation through the Chief Fire Officers Association (CFOA) National

Resilience workstream.

Transfer from Earmarked Reserves

Relocation Expenses	£7,120
Ill Health Costs	£19,600
TOTAL	£26,720

Transfer to Earmarked Reserves

Update of Prince's Trust Team (PTT) Redundancy Costs	£1,410
Integrated Risk Management Plan (IRMP) Redundancy Reserve*	£662,407
Over-establishment Reserve**	£743,266
TOTAL	£1,407,083

Total Carry Forward requests	£307,680
Transfer to Earmarked Reserves	£1,407,083
Transfer from Earmarked Reserves	(£26,720)
TOTAL	£1,688,043

* It is proposed that an amount of £662,407 is transferred as an addition to the existing IRMP reserve so that this reserve equates to the potential operational redundancy cost, estimated for the level of over establishment at April 2018.

**It is proposed that the remaining balance of £743,266 is to be transferred to an Earmarked Over-establishment Reserve to provide further transition funding to meet anticipated levels of over-establishment.

3.29. Capital

It is proposed to carry forward £1,196,012 of the Capital Programme in respect of the projects detailed in the table below:

Aerial Ladder Platform	£50,318	Para 3.4
Birstall Professional Fees	£5,000	Para 3.5
Erection of Tower at Wigston Station	£25,000	Para 3.5
New Castle Donington Fire Station	£298,337	Para 3.6
Tri-Service Fire Control Project	£720,301	Para 3.7
Fire Control Enabling Works (Southern)	£10,000	Para 3.8
Premises Improvement Project	£31,465	Para 3.10
ICT Wide Area Network Upgrade	£55,591	Para 3.11
TOTAL	£1,196,012	

Capital Funding

- 3.30. In order to ensure that the Capital Programme for 2015/16 remains in balance, it is proposed to fund the £1,196,012 total carry forward from 2014/15 in the following manner:

Funding Source	£
DCLG Fire Control Grant	£720,301
Finance Lease	£50,318
Prudential Borrowing	£425,393
TOTAL	£1,196,012

Treasury Management in 2014/15

- 3.31. There were no departures from the Treasury Management Policy Statement, which was agreed by the CFA on the 12th February 2014 in respect of Prudential indicators or sources and methods of borrowing.

Interest Rates

- 3.32. Bank base rates have remained unchanged at 0.5% throughout the financial year, where they had been since March 2009.

Investments

- 3.33. At the end of March 2015 the CFA had various accounts in place to ensure liquidity of funds. These were a Corporate Deposit Account with the Bank of Scotland in order to achieve guaranteed interest rates for overnight investment, a Special Interest bearing account with Nat West and a call account with Santander. In addition, in order to earn higher rates of interest, the CFA hold a 30 day notice account with Nat West, two fixed term deposit accounts with Lloyds (due back in May and June), a money market deposit fund with CCLA and a fixed term deposit account (due back in May) with the Bank of Scotland. £46,775 has been earned in interest on surplus balances during 2014/15 with an average rate of 0.6%. An ongoing comparison of the interest rates achieved against base rates has been included throughout the year within Senior Management Team (SMT) and Policy budget monitoring reports.

Capital Financing / Long Term Borrowing

- 3.34. One of the most cost effective ways for the CFA to borrow money to finance capital expenditure is to raise funds via the PWLB. Loans are available for periods of between 1 and 50 years, with the rates payable being set with reference to the UK Government Bond yield for bonds of similar maturities. The rates on relatively short term borrowings generally reflect the outlook for UK base rates over the years ahead and, as a result, remained reasonably low for the whole of the year. Medium and longer-term loans are influenced by a number of additional factors

such as the long-term inflation outlook, the balance of demand and supply for Government Bonds and the uncertainty of Government Bond returns against the volatility and uncertainty of returns on other asset classes. Another way of funding capital expenditure relating to vehicles and equipment is through the use of finance leases.

- 3.35. The CFA is obliged to charge a percentage of the capital financing requirement to the revenue account on an annual basis. The percentage the CFA has judged to be prudent on current borrowing ranges from 3% to 4% for PWLB borrowing. A charge is also made relating to the amount of principal repaid on finance leases. The capital financing requirement is a feature of the Prudential Code, and is agreed by the CFA in setting the annual budget and is related to debt levels in the previous year. This charge is known as the Minimum Revenue Provision (MRP) and is designed to ensure that provision for debt repayable is reasonable. Cash balances have been utilised in the last financial year where possible to fund capital expenditure. One long term loan of £1 million was repaid during the year and two temporary loans were taken out to keep the interest rates paid as low as possible. One of these was for £1m which has been repaid, and one of £1.5m which will be repaid in July 2015. The two temporary loans were used to bridge a cash flow gap to meet expenditure on the Capital Programme whilst awaiting government pension grant income. No new finance leases have been required to be undertaken in 2014/15.

Debt Portfolio Position

- 3.36. This provides a statement of what borrowing the CFA has outstanding, at what rate and with whom. At the 31st March 2015 the CFA had PWLB debt totalling £15.728m at an average interest rate of 3.83% and finance leases with principal outstanding of £5.704m at an average interest rate of 3.67%. The PWLB borrowing has been used to support significant capital expenditure over recent years on the new build and refurbishment of the estate. Finance leasing has been principally used for the purchase of fire appliances and enabled a ten year replacement cycle to be put in place. The majority of the PWLB debt (64.5%) will not be repayable for at least 10 years thereby giving a very stable debt financing position. The Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management guidance requires a calculation of a maximum level of borrowing which may be required to fund capital expenditure. This is known as the Capital Financing Requirement and was estimated to be £24m at the 31st March 2015. Taking into account that total debt specified above is £21.4m it is possible that further borrowing may be required in the future.

4. Report Implications / Impact

4.1 *Legal (including crime and disorder)*

None.

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

These are included in the main body of the report.

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

The CFA has set a tight revenue budget with limited resources and reserves. It is therefore important to be aware of how both the Revenue Budget and Capital Programme are progressing as it enables early action to be taken to address any issues that arise. For example, it is easier to manage a potential overspend if it is identified early and any corrective action will be less harsh than if late action was required. Also, if a budget is going to be underspent, it allows consideration to be given to either accelerating progress, virement proposals or seeking CFA approval to carry forward resources into future years. The CFA has to agree any variance to the Capital Programme.

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

Employee costs account for just over 72.3% of the CFA's revised budget for 2014/15, with a further 1.8% being spent on indirect employee expenses. Restrictions currently being enforced as a result of planning efficiencies have impacted upon these budgets.

4.5 ***Environmental***

None.

4.6 ***Impact upon Our Plan Objectives***

The Medium Term Financial Plan is constructed to achieve the objectives in Our Plan. Any variation in levels of funding or expenditure has the potential to impact on delivery of Our Plan. Conversely, any delays or changes to the projects within Our Plan can impact on the achievement of efficiencies and adherence to budgets.

5. **Recommendations**

The CFA is asked to:

- a) Note the capital and revenue final outturn position for 2014/15.
- b) Agree a threshold of £10,000 for future financial budget monitoring reporting of variances as outlined in paragraph 3.18.
- c) Agree the revenue carry forward proposals totalling £307,680.
- d) Agree the contribution of £1,410 to the Prince's Trust reserve, £662,407 to the IRMP Redundancy reserve and £743,266 to an Over-establishment reserve.
- e) Agree the transfer of £26,720 from earmarked revenue reserves in respect of Ill Health and relocation costs.

f) Agree the capital carry forward proposals totalling £1,196,012.

g) Note the treasury management performance for 2014/15.

6. Background Papers

a) Medium Term Financial Plan 2014-17 (CFA Report - 12th February 2014)

b) Capital and Revised Estimates 2014/15 (CFA Report – 10th December 2014)

7. Appendices

1. Final Capital Outturn 2014/15

2. Final Revenue Outturn 2014/15

CAPITAL PROGRAMME EXPENDITURE TO BUDGET 2014-15

SCHEME	PARA REF	CFA 12.02.14 ORIGINAL PROGRAMME 2014-15 £	CFA 25.06.14 AGREED CARRY FORWARD £	POLICY 07.05.14 AGREED REVISIONS £	POLICY 27.08.14 AGREED REVISIONS £	POLICY 05.11.14 AGREED REVISIONS £	CFA 10.12.14 REVISED ESTIMATE £	CFA 11.02.15 AGREED REVISIONS £	UPDATED CAPITAL PROGRAMME FOR 2014-15 £	ACTUAL SPEND AND COMMITMENTS TO MAR 15 £	VARIANCE £
PROJECTS											
Vehicles:											
Replacement Aerial Ladder Platform	3.2	429,432	217,461	0	0	0	0	0	646,893	596,575	-50,318
Property:											
Hinckley Station Day Crewing Plus Refurbishment		0	517,233	0	0	0	-225,810	0	291,423	291,423	0
Hinckley Station Refurbishment Phase 2		0	15,261	0	0	0	34,800	0	50,061	50,061	0
Coalville Station Day Crewing Plus Refurbishment		0	1,148,632	0	0	0	-71,908	0	1,076,724	1,076,649	-75
New Birstall Day Crewing Plus Fire Station	3.3	0	63,599	0	0	0	0	0	63,599	470	-63,129
New Birstall Headquarters	3.3	0	199,647	0	0	0	0	0	199,647	51,895	-147,752
New Birstall H.Q. - control relocation / System Decommission	3.3	0	29,986	0	0	0	0	0	29,986	495	-29,491
New Castle Donington Day Crewing Plus Fire Station	3.4	2,500,000	638,287	0	0	0	-1,688,267	0	1,450,000	1,151,663	-298,337
Remodelling of Shepshed Station		0	38,504	0	0	0	-15,808	0	22,696	22,696	0
IT and Equipment:											
Tri-Service Fire Control	3.5	0	1,166,691	0	0	0	0	0	1,166,691	446,390	-720,301
Fire Control Enabling Works (Southern)	3.6	0	83,887	0	0	0	0	0	83,887	14,722	-69,165
SharePoint Upgrade - Archiving		0	13,150	0	0	0	-13,150	0	0	0	0
SharePoint Taxonomy	3.7	5,000	0	0	0	0	0	0	5,000	0	-5,000
ICT Gazetier / CFEMIS Integration	3.8	5,950	0	0	0	0	39,050	0	45,000	14,310	-30,690
ICT Wide Area Network Upgrade	3.9	0	184,000	0	0	0	0	-127,498	56,502	911	-55,591
OTHER CAPITAL PROGRAMME											
Property:											
Urban Search and Rescue (USAR) Training Rig		223,956	0	0	0	0	-223,956	0	0	0	0
Replacement Heating System at Western Station	3.10	0	0	125,000	0	0	0	0	125,000	107,475	-17,525
Extension Building Works at Eastern Station		0	0	0	125,000	-125,000	0	0	0	0	0
IT and Equipment:											
Technology Developments	3.11	39,050	43,201	0	0	0	0	0	82,251	33,042	-49,209
Operational Equipment - Delibrators		100,000	0	0	0	0	-70,700	0	29,300	29,300	0
Operational Equipment - Telemetry Boards		81,120	0	0	0	0	78	0	81,198	81,198	0
Other:											
Capitalisation of Consortium Insurance Company	3.12	100,000	0	0	0	0	0	0	100,000	0	-100,000
TOTALS		3,484,508	4,359,519	125,000	125,000	-85,950	-2,274,721	-127,498	5,605,858	3,969,275	-1,636,583
Funded by:											
DCLG Capital Grant		1,048,713	0	0	0	0	0	0	1,048,713	1,048,713	0
DCLG Fire Control Grant		0	1,166,691	0	0	0	0	0	1,166,691	446,390	-720,301
DCLG USAR Grant		185,284	0	0	0	0	-185,284	0	0	0	0
Revenue Contribution to Capital Outlay (FCCO)		0	38,504	125,000	125,000	-85,950	0	0	202,554	202,554	0
Earmarked Reserve		138,672	0	0	0	0	-2	0	138,670	38,670	-100,000
Capital Receipts		269,500	0	0	0	0	-136,250	0	133,250	145,250	12,000
Finance Lease		217,461	0	0	0	0	0	0	646,893	596,575	-50,318
Prudential Borrowing		1,412,907	2,936,863	0	0	0	-1,953,185	-127,498	2,289,087	1,491,123	-777,964
		3,484,508	4,359,519	125,000	125,000	-85,950	-2,274,721	-127,498	5,605,858	3,969,275	-1,636,583

Fire Revenue Outturn Report 2014/15			
Account Description	Annual Budget £	Actual YTD £	Variance £
Direct Employee Expenses	27,643,332	26,896,412	-746,920
Indirect Employee Expenses	693,410	501,250	-192,160
Pension	807,870	838,466	30,596
Employees	29,144,612	28,236,128	-908,484
Repairs Alterations and Maintenance of Buildings	570,670	581,343	10,673
Energy Costs	418,940	321,945	-96,995
Rents	33,550	31,843	-1,707
Rates	685,920	687,593	1,673
Water	60,320	58,962	-1,358
Fixture and Fittings	18,149	24,206	6,057
Apportionment of Expenses of Operational Buildings	10,350	5,110	-5,240
Cleaning and Domestic Supplies	240,890	239,015	-1,875
Grounds Maintenance Costs	15,000	15,912	912
Premises Insurance	36,360	41,064	4,704
Refuse Collection	32,890	33,114	224
Premises-Related Expenditure	2,123,039	2,040,107	-82,932
Direct Transport Cost	751,930	660,304	-91,626
Recharges	214,560	171,614	-42,946
Public Transport	30,460	37,938	7,478
Transport Insurance	146,860	146,381	-479
Car Allowances	114,370	72,533	-41,837
Transport-Related Expenditure	1,258,180	1,088,770	-169,410
Equipment Furniture and Materials	766,800	617,467	-149,333
Catering	33,630	45,967	12,337
Clothes Uniforms and Laundry	510,281	437,361	-72,920
Printing Stationery and General Office Expenses	73,670	64,759	-8,911
Services	266,560	197,666	-68,894
Communications and Computing	1,426,660	1,323,256	-103,404
Expenses	72,460	64,531	-7,929
Grants and Subscriptions	82,280	75,477	-6,803
Miscellaneous Expenses	118,900	111,535	-7,365
Supplies & Services	3,351,241	2,938,019	-413,222
Other Local Authorities	50,000	20,703	-29,297
Third Party Payments	50,000	20,703	-29,297
Finance	71,700	73,318	1,618
Support Services	71,700	73,318	1,618
Government Grants	-11,669,533	-11,714,000	-44,467
Other Grants/Reimbursements and Contributions	-18,252,526	-18,178,486	74,040
Customer and Client Receipts	-8,320,348	-8,387,910	-67,562
Interest	-62,470	-46,775	15,695
Income	-38,304,877	-38,327,171	-22,294
Interest Payments	911,700	865,691	-46,009
Revenue Contributions to Capital	241,224	241,224	-
Minimum Revenue Provision	1,534,180	1,516,167	-18,013
Contribution to General Reserve	364,088	364,088	-
Contribution From General Reserve	-706,417	-706,417	-
Contribution to Earmarked Reserve	-	-	-
Contribution From Earmarked Reserve	-38,670	-38,670	-
Capital Financing Costs	2,306,105	2,242,083	-64,022
Total Revenue Underspend	-	-1,688,043	-1,688,043
Proposed Transfer to Earmarked Reserves	-	1,407,083	1,407,083
Proposed Transfer from Earmarked Reserves	-	-26,720	-26,720
Proposed Carry Forward	-	-307,680	-307,680