

LEICESTERSHIRE

FIRE and RESCUE SERVICE

Status of Report: Public Agenda Item: 9

Meeting: Policy Committee
Date: 14th January 2015
Subject: Financial Budget Monitoring as at 30th November 2014
Report by: The Treasurer
Author: Philippa Brown (Accountant) and Adam Stretton (Head of Finance)
For: Decision

1. Purpose

As part of the Combined Fire Authority's (CFA) Corporate Governance arrangements a financial monitoring report is submitted to the Policy Committee every time it meets. This report covers the capital and revenue budgets for the position relating to Financial Period 8, which ended on the 30th November 2014. Project issues are taken elsewhere in the agenda.

2. Executive Summary

2.1 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:

- The Policy Committee at its meeting on 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 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 on the 27th August 2014 agreed the virement of £263,218 to the General Reserve from a number of revenue budgets. This was to reflect the in-year savings identified through the Organisational Change Project.
- The Policy Committee at its meeting on the 27th August 2014 agreed to increase the Capital Programme by a further £125,000 for extension building works at Eastern Station. The amount to be funded through a RCCO from the Repairs and Maintenance budget.
- The Policy Committee at its meeting on the 5th November 2014 agreed to

reduce the Capital Programme by £125,000 for the non-commencement of works at Eastern Station and 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 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 should be utilised to support the 2014/15 Capital Programme in order to reduce borrowing.

- The CFA at its meeting on the 10th December 2014 agreed to the 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 General Reserve.

2.2 The ongoing effects of the revenue growth and savings identified in the Revised Estimate will be shown as part of the Medium Term Financial Plan to be presented to the CFA at its meeting in February 2015. This report indicates the current financial position compared against the 2014/15 Revised Revenue Estimate and the updated 2014/15 Capital Programme.

2.3 The Billing Authorities issued Council Tax bills in late March / early April 2014 and seven payments for 2014/15 (£12,005,452 in total) have now been received from the nine Billing Authorities. Seven payments in respect of Non Domestic Rates (NDR) totaling £2,311,452 have also been received from these Authorities. The Department for Communities and Local Government (DCLG) has made three payments in respect of the CFA's Revenue Support Grant for 2014/15 (£5,349,758 in total). Following the decision to opt out of the Leicestershire and Rutland Business Rates Pool in 2014/15, DCLG have paid six payments in respect of NDR Top up (£3,921,725 in total).

3. Report Detail

Capital Programme

3.1 **Appendix 1** is a detailed summary of the Capital Programme showing actual expenditure and commitments that occurred to Period 8, compared to the Revised Estimate. The CFA at its meeting on the 25th June 2014 agreed to increase the 2014/15 Capital Programme by £4,359,519 as carry forwards from 2013/14.

Whilst this report provides a financial overview of the Capital Programme as a whole, variance analysis for capital items that are part of the Corporate Infrastructure and Efficiency Projects are reported elsewhere on the Policy Committee agenda.

Appendix 1 indicates that at the end of November 2014, there is no forecast variance on all projects against the Revised Estimate. The capital items with progress to report are set out in the following paragraphs.

3.2 The initial estimate of works for the replacement of the Wide Area Network totals £184,000 and is contained within the Technology Developments budget (£266,251). It is anticipated that this work will be completed in June 2015. It is expected that there will be an underspend in 2014/15 but that the full Capital Programme budget will be required. A proposal to carry forward into 2015/16 any

unspent balance will be presented to the CFA at its meeting in July 2015.

- 3.3 The CFA at its meeting of the 10th December 2015 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.

Revenue Budget

- 3.4 **Appendix 2** is a detailed summary of the revenue budget showing the current position for actual expenditure and commitments as at the end of Period 8. The budget figures have been updated to reflect the budget carry forwards agreed by the CFA on the 25th June 2014 and the Revised Estimate agreed by the CFA on the 10th December 2014. These changes have been reflected in the Revised Budget Column in Appendix 2.

The profile budget in column 2 provides a snapshot of where expenditure should be for the period. In the majority of cases this reflects each budget divided into equal twelfths over the financial year.

This appendix includes all revenue income and expenditure attributable to the CFA. The net expenditure shown in Column 5 is the total of actual expenditure and income including commitments for orders placed but invoices not paid. This only works when official orders for realistic costs are raised.

The variance to profile column represents the difference between actual expenditure to date and the budget profile. Negative figures show that the actual is underspending to the profile and positive figures provide an indication of a potential overspend.

The final forecast variance column reflects the fact that all savings identified to date have been taken out of the budget as part of the revised budget revisions submitted to CFA on the 10th December 2014.

- 3.5 **Appendix 3** is a summarised report of Appendix 2 but provides financial summaries for each Directorate.
- 3.6 **Appendix 4** is the information that was presented to the CFA in February 2014 detailing the growth and savings for 2014/15.
- 3.7 **Appendix 5** is the information agreed by the CFA in June 2014 in respect of carry forwards from 2013/14.
- 3.8 **Appendix 6** shows the interest earned on surplus balances during the period October to November 2014.
- 3.9 **Appendix 7** shows graphically how the CFA performed on investments against base rate. The highest rate achieved was just over 0.69% (when the balance was £5.627m on the 10th November 2014); the lowest was just under 0.60% on the 19th November 2014, when the balance was £7.679m).

The Bank of England base rate has been unchanged at 0.5% since the 5th March 2009. A comparison has also been included on rates achieved by NatWest's Money Market Fund during the period.

The CFA has an underlying need to borrow to fund capital expenditure but long term borrowing has been held back in 2014/15 to achieve maximum use of balances, where only low rates can be achieved in the current investment market. This has resulted in substantial reductions in borrowing costs for 2014/15 for which budget adjustments were made at Revised Estimates. It was necessary for temporary cash flow purposes, to take a temporary loan of £1m from North Yorkshire County Council from the 30th June to the 28th July at a rate of 0.44% to fund a temporary shortfall in cash flow.

3.10 Direct Employees' 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	Commitments	Net Expend	Profile Budget	Variance
	£	£	£	£	£	£
Administration and Clerical	4,860,630	2,974,523	-	2,974,523	3,077,782	-103,259
Chief Officers	401,670	261,896	-	261,896	267,780	-5,884
Firefighters	18,761,537	12,347,694	-	12,347,694	12,484,262	-136,568
Control	1,064,540	684,508	-	684,508	707,585	-23,077
Retained	2,218,890	1,234,085	-	1,234,085	1,353,522	-119,437
Cooks	127,885	140,813	-	140,813	98,590	42,223
Manual	217,270	144,135	-	144,135	143,780	355
Nursing	32,810	29,481	672	30,153	21,873	8,280
Direct Employee Expenses	27,685,232	17,817,135	672	17,817,807	18,155,174	-337,367
Indirect Employee Exp	651,510	280,520	105,797	386,317	519,393	-133,076
Pension	807,870	315,953	4,000	319,953	313,860	6,093
Indirect and Pension	1,459,380	596,473	109,797	706,270	833,253	-126,983
Employee Costs	29,144,612	18,413,608	110,469	18,524,077	18,988,427	-464,350

Whilst the Revised Estimate has addressed many areas of variance, there remain a number of issues. A review has been undertaken on areas where the variance to profile is above £10,000, these are detailed below:

Direct Employee Expenses (£337,367 underspend)

Administration and Clerical (£103,259 underspend)

This is made up of smaller reductions in several areas, namely £20,683 in Community Service Educators, £15,987 due to a post being held vacant in the Prince's Trust Team and £11,892 in Information Management offset by an overspending of £14,908 due to payments made due to providing cover during periods of industrial action. Pension contributions are also underspending by £29,232 due to a reduction secured as a result of the CFA subscribing to an ill-health insurance policy. This insurance has been charged to employee insurance, which will be split and recoded for the next report. The overall budget for the

financial year is the correct figure. The remaining underspend of £40,373 is mainly due to the fact that the support staff pay award has not yet been paid. The budget included a 1% pay award from April 2014. The effect of the recently announced pay award has yet to be calculated.

Firefighters (£136,568 underspend)

This is mainly due to pay deductions (covering strike action to the end of October 2014) of £160,809. This has been offset in 2014/15 by the current costs of industrial action charged to date (£100,584 to the end of November 2014). Employers' costs for pension are profiling an underspend of £66,514. This is mainly due to an increasing number of employees being part of the 2006 scheme, which has a lower employer contribution rate. The remaining underspend of £9,829 is made up of smaller underspends across several stations.

Control (£23,077 underspend)

This is due to the cost of the new shared Area Manager post not yet having been charged by Nottinghamshire Fire & Rescue Service.

Retained (£119,437 underspend)

The underspend relates to pay (£103,870) spread over 8 stations; with the remaining £15,567 underspend being mainly due to national insurance contributions, also spread over several stations. These reductions relate to the reduced activity levels to date compared to prior years. Historically this budget has been very difficult to predict therefore no forecast for the year has been attempted at this stage.

Cooks (£42,223 overspend)

This is affected by the redundancy payments for cooks not matching the profile budget. However, a potential £12,928 overspend is being investigated but may be due to unexpected payments in lieu of notice.

Indirect Employee Expenses (£133,076 underspend)

Training (£101,488 underspend)

Training costs are showing a profile underspend of £23,989 and Fire Service College costs an underspend of £34,409 with an additional underspend of £68,200 due to the ongoing delay in the implementation of the new Tri-Service control system. This is reduced by commitments on Prince's Trust training (£21,889), which will be offset by future income and other minor variations totaling £3,221.

Insurance – Employee Related (£40,257 underspend)

The instalment for the period November to March has not been paid by the end of November, but had been profiled to be paid. Payment has been made in December 2014 within the insurer's trading terms.

Other (£8,669 overspend)

This relates to the recruitment costs (£4,836) of the new shared Area Manager post not yet having been charged to Derbyshire and Nottinghamshire Fire & Rescue Services. The other part of the overspend is for the removal and relocation costs of a new Area Manager. This will be met by an earmarked reserve.

Premises Expenses £49,445 overspend

Repairs, Alterations and Maintenance of Buildings £110,395 overspend

The overspend is mainly due to commitments for orders placed where the work will be completed over the remainder of the year.

Energy Costs (£47,363 underspend)

Amounts invoiced are low compared to profile, despite all bills appearing to have been received. This is most likely due to the unseasonably mild weather.

Transport-Related Expenses £388,465 overspend

Direct Transport Cost £456,823 overspend

New officer's vehicles have been purchased but the contract for sale and leaseback, which will cancel out all expenditure on this budget head, has not yet been finalised.

Recharges £15,712 overspend

Lease payments do not occur at regular intervals throughout the year and are likely to cause minor variances throughout the year. The budget is at the correct level for the year.

Insurance (£61,755 underspend)

The instalment for the period November to March has not been paid by the end of November, but had been profiled to be paid. Payment has been made in December 2014 within the insurer's trading terms.

Car Allowances (£26,778 underspend)

This underspend is mainly on casual mileage and is made up of many budgets, none with a sizeable underspend. It is likely that this budget will continue to underspend this year. The likely amount will be ascertained for the next report.

Supplies and Services (£316,713 underspend)

Equipment, Furniture and Materials £37,196 overspend

Hydrant installation orders totaling £67,601 have been placed. It is unlikely that many, if any of these will be charged, based on the history of this budget. This is offset by Community Safety Delivery Consumables which is devolved to stations and is underspending by £28,927 mainly due to the action short of strike action. The remaining £1,478 underspend is made up of smaller items.

Catering £14,781 overspend

This is mainly due to expenditure and commitments in training resulting in an overspend of £9,849. In addition there are small overspends within the Fire Control project (£2,197) and the remainder is mainly due to profile variances within the HQ canteen.

Clothes, Uniforms and Laundry (£89,677 underspend)

This is due mainly to the non-contract allocation of £50,000 only having expenditure of £442 to date. In addition, the monthly contract amount of £27,270 does not match the established profile, which will be corrected and the remaining profile underspend of £12,849 is mainly due to an underspend in Technical Rescue.

Services (£99,993 underspend)

This mainly relates to Cross Border Agreements (£72,143). Prior year accruals for invoices not received have been reversed in the current financial year, causing this variance. This will be resolved by the end of this financial year. The majority of the remainder relates to a profiled underspend relating to the Integrated Risk Management Plan (IRMP) consultation although this is not expected to lead to an underspend at the end of the financial year.

Communications and Computing (£146,477 underspend)

This is mainly due to FireLink contract charges (£108,024) where the July bill is the latest to have been paid at the end of November. Also, computer equipment maintenance is underspending by £72,460 due to no charges being received from Systel for the new Tri-Service Fire Control facility. This is offset by a profile overspend on phone costs of £42,752, however this includes charges that need to be recharged to Nottinghamshire and Derbyshire Fire Authorities. The remaining £8,745 underspend is made up of several smaller variances.

Expenses (£10,526 Underspend)

This reflects lower than anticipated subsistence claims (£6,581); reduced hospitality costs (£6,622) offset by a profile overspend on overnight accommodation but it is not anticipated that the annual budget will be exceeded.

Third Party Payments (£24,582 underspend)

The profile underspend reflects the current lower level of expenditure than anticipated on external legal assistance.

Income (£21,081 underspend)

Government Grants (£169,213 underspend)

This is mainly due to DCLG grant received to date for business rate adjustment which had been profiled to be expected at the end of the year.

Other Grants, Reimbursements and Contributions (£162,931 underspend)

This is mainly due to Prince's Trust actual income of £193,943 which has been coded to this heading although budgeted within customer and client receipts. It is proposed to vire an income budget of £477,000 between these headings. The income is predicted to cover the cost of the project for the year. Cross border income is showing under budget by £41,180, due to income being accrued in the previous financial year which has not yet been received. The remaining £10,168 variance is spread over several areas.

Customer and Client Receipts £306,178 overspend

This is mainly due to the delayed receipt and miscoding of Prince's Trust income (£303,892) as discussed in the paragraph above.

Capital Financing Costs (£64,287 underspend)

Interest Payments (£64,287 underspend)

This is a profiling issue and there is not anticipated to be any variance at the end of the year.

- 3.11 A review of **growth and savings** (**Appendix 4**) has enabled an updated position on current spend forecasts for 2014/15 and 2015/16 as a comparison to the original growth figures presented to the CFA as part of the 2014-17 Medium Term Financial Plan on the 12th February 2014. Columns 4 and 5 show the updated forecast financial position with any resulting variances shown in column 6.

A forecast underspend variance of £111,500 is anticipated which is mainly due to the Personal Protective Equipment (PPE) breathable fire tunic (£108,000) which will not be purchased in this financial year. The budget has been reduced as part of the Revised Estimate.

The ground rental at Castle Donington was budgeted as an annual cost. The £3,500 saving reflects an August start date.

- 3.12 **Carry forwards** have been reviewed and are shown in **Appendix 5**. Column 5 represents the total actual and committed expenditure at November 2014 and column (6) shows the amount of carry forward remaining to be spent.

There are no significant variations to report at this time.

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)*

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. 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.

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

Employee costs account for 72.3% of the CFA's revised budget for 2014/15, with a further 1.8% being spent on indirect employee expenses. If any restrictions were enforced as a result of planning efficiencies this would probably have to impact upon these budgets.

4.5 *Environmental*

None.

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

The Medium Term Financial Plan is constructed with reference to 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 Policy Committee is asked to:

- a) Note the budget position as at the end of November 2014.
- b) Note the review of growth and savings as at the end of November 2014.
- c) Note the review of carry forwards as at the end of November 2014.
- d) Note the treasury management position as at the end of November 2014.
- e) Agree to the virement of £477,000 budget from Customer and Client Receipts to Other Grants, Reimbursements and Contributions for the Prince's Trust.

6. Background Papers

- a) Medium Term Financial Plan 2014-17 (CFA Report - 12th February 2014)
- b) Medium Term Financial Plan 2014-17 (Policy Committee Report – 5th March 2014)
- c) Final Outturn 2013/14 (CFA Report - 25th June 2013)
- d) Revised Estimate 2014/15 (CFA Report - 10th December 2014)

7. Appendices

1. Capital Programme Financial Summary as at 30th November 2014
2. Detailed Revenue Budget Monitoring as at 30th November 2014
3. Revenue Budget Monitoring summary by Directorate as at 30th November 2014
4. Growth and Savings as at 30th November 2014
5. Carry Forwards from 2013/14 to 2014/15
6. Interest earned on surplus balances October to November 2014
7. Interest on surplus balances - October to November 2014 (graphical presentation)