

**Status of Report: Public**

**Meeting: Combined Fire Authority**

**Date: 19 June 2019**

**Subject: Revenue and Capital Outturn 2018-19**

**Report by: The Treasurer**

**Author: Adam Stretton (Area Manager Finance and ICT) and Philippa Brown (Senior Accountant and Head of Financial Operations)**

**For: Decision**

### **Purpose**

1. This report informs the Combined Fire Authority (CFA) of the final revenue and capital outturn figures for 2018/19 and seeks approval to carry forward funds for specific purposes. The figures will be subject to External Audit review before the final Statement of Accounts is submitted for approval to the CFA in July 2019.

### **Recommendations**

2. The CFA is asked to:
  - a) Note the revenue and capital provisional outturn position for 2018/19;
  - b) Approve the carry forward of £146,000 of revenue funding and £1,416,000 of capital funding into 2019/20;
  - c) Approve the transfer of £463,000 to the Management of Change Earmarked Reserve;
  - d) Note that the Chief Fire and Rescue Officer will report to the CFA and Corporate Governance Committee on how the transferred funds are used throughout the year; and
  - e) Note the updates on Forge Health Limited and the Fire and Rescue Indemnity Company Ltd.

### **Executive Summary**

3. The CFA agreed the revenue and capital budgets for 2018/19 at its meeting on the 7 February 2018. Subsequently, carry forwards from 2017/18 were added and forecast revenue savings totalling £146,000 were transferred to reserves during the year. These are reflected in the budget figures in this report.
4. The final outturn indicates underspends against the updated revenue budget of £609,000 across a range of budgets and £1,416,000 slippage on the updated capital

programme. A number of areas are requested for carry forward into 2019/20, which is noted in this report.

## **Background**

### **Revenue Budget**

5. The budget figures have been updated to reflect the changes noted by the Corporate Governance Committee at its meeting on 13 March 2019.
6. The revenue budget is showing further overall forecast underspends of £609,000 over a number of budget headings.
7. The final revenue outturn position is summarised in Table 1 below.

<b>Table 1 - 2018/19 Revenue Budget</b>	<b>Current Annual Budget after Adjustments £000</b>	<b>Provisional Outturn £000</b>	<b>(Savings)/ Overspend £000</b>
<b>Employees</b>	25,932	25,839	(93)
<b>Premises</b>	2,395	2,399	4
<b>Transport</b>	975	964	(11)
<b>Supplies and Services</b>	3,778	3,612	(166)
<b>Capital Financing</b>	3,801	3,775	(26)
<b>Total Expenditure</b>	36,881	36,589	(292)
<b>Controllable Income</b>	(2,587)	(2,904)	(317)
<b>Net Budget</b>	<b>34,294</b>	<b>33,685</b>	<b>(609)</b>

8. The outturn indicates a net underspend of £609,000 on the adjusted budgets. The main variances are summarised below.
  - i. £93,000 savings on pay and employee costs, which reflects lower than anticipated employer pension contributions and vacancies in the staffing establishment (£68,000) and lower pension running costs (£25,000). This is less than half a percent of the budget. Note that the firefighters' national pay awards for 2017 and 2018 are not yet closed, and hence further pay costs could be incurred, with no guarantee of Government funding.
  - ii. £11,000 savings on fleet vehicle maintenance costs.

- iii. £166,000 net underspends within the Supplies and Services heading. This is mainly due to:
- a) £139,000 where the costs will be incurred in 2019/20 and hence it is proposed to carry forward the underspends:
    - ❖ £90,000 for estates professional fees to meet project and development costs to progress the estates strategy, which was added to the 2018/19 budget and which is yet to be spent. This is linked to the outcomes of the Integrated Risk Management Plan (IRMP) that will be completed in February 2020.
    - ❖ £49,000 for hydrant maintenance costs, where items were ordered but not yet installed.
  - b) £75,000 relating to legal services and various administrative activities.
  - c) Partially offset by £48,000 increased cost of FireLink contract charges, which is compensated by increased grant income reflected in the increased income below.
- iv. £317,000 of additional income to budget. This includes:
- a) £125,000 of additional Government grant for business rates relief, unexpectedly received in March 2019;
  - b) £48,000 additional FireLink grant income to offset increased charges noted above;
  - c) £42,000 of secondment income in the last quarter;
  - d) £102,000 of other income, including increased recharges to Forge Health Limited, driving school assessments and Primary Authority Scheme.

#### Carry Forward Requests

9. It is proposed that the revenue carry forward requests totalling £146,000 (detailed in the table below) are agreed to meet specific areas of expenditure in 2019/20:

Hydrant Maintenance	£49,000	Orders placed for hydrant repairs where installation is not yet completed or charged for
Professional Support to the Estates strategy	£90,000	To meet future project management costs for estates strategy projects, linked to the outcomes of the IRMP
Celebrate Safety Grant	£7,000	Grant awarded by Leicester City Council, but not used in year.
<b>TOTAL</b>	<b>£146,000</b>	

10. It is further proposed that the balance of £463,000 should be moved to the Management of Change earmarked reserve. This would be used, to support work arising from the future outcomes of the Integrated Risk Management Plan (IRMP), to facilitate responses to the HMICFRS inspection and to pump-prime specific transformational change. The Chief Fire and Rescue Officer will approve allocations from the reserve, which will be reported to the CFA or the Corporate Governance Committee as appropriate.

### Capital Programme

11. After inclusion of agreed carry forwards from 2017/18, the capital programme 2018/19 totalled £5,360,000. The Corporate Governance Committee meetings held to date have agreed a net reduction of £3,235,000 to the capital programme in 2018/19. The Capital Programme underspent by £1,465,000, of which £1,416,000 is requested as carry forward into 2019/20. The remaining £49,000 will be retained within the Capital Fund Earmarked Reserve to support future investment requirements.
12. Slippage on vehicles, property projects and IT and equipment projects was anticipated and reported to the Corporate Governance Committee. The updated programme is summarised in Table 2 below.

<b>Table 2</b>	Programme after Adjustments 2018/19	Actual Outturn	Variance	Carry Forward
<b>2018/19 Capital Programme</b>	£'000	£'000	£'000	£'000
Vehicles	572	326	(246)	246
Property	1,321	1,175	(146)	97
Fire Control Project	318	0	(318)	318
IT and Equipment	1,024	269	(755)	755
<b>TOTAL</b>	<b>3,235</b>	<b>1,770</b>	<b>(1,465)</b>	<b>1,416</b>

#### Vehicles:

13. The Tactical Response Vehicles will be delivered in July 2019 and slippage of £246,000 is requested to be carried forward into 2019/20.

#### Property:

14. Construction works to accommodate a Breathing Apparatus (BA) compressor unit to enable BA cylinder charging at Lutterworth station will take place in 2019/20 and slippage of £35,000 is requested to be carried forward.
15. The capital programme includes an annual sum to undertake estate-wide maintenance following an external condition survey which identified improvements required to be completed over a ten-year period. Some year two Condition Survey work remains to be completed and slippage of £62,000 is requested to be carried forward.

16. Final costs for works at Wigston Station and the installation of a new hydrant at Castle Donington Station have shown a saving of £49,000.

Fire Control Project:

17. £318,000 is proposed to be carried forward for the Fire Control Project. This represents the balance of £1,800,000 capital grant awarded by Department for Communities and Local Government for the Tri-Service Control Project. Final payments to the supplier are anticipated to occur in 2019/20.

IT and Equipment:

18. Projects expenditure totalling £269,000 for Thermal Imaging Cameras, Electronic Fleet Management System, Incident Recording System and Skype for Business have been incurred within this category in 2018/19. A number of projects are in progress but will be completed in 2019/20. This includes operational equipment such as firefighter branches and hoses, CCTV on vehicles and ICT developments for a new Learning Management System and improved Business Intelligence Information systems through the Views replacement project. The £755,000 remaining budget is requested to be carried forward. The Financial Monitoring report presented to the Corporate Governance Committee at its meeting on 13 March 2019, signalled likely slippage, which was not quantified at the time.

Reserves

19. As noted above, it is proposed that the £463,500 balance of the revenue underspend should be transferred to the Management of Change Reserve.
20. Following this transfer, the current balances held in general and earmarked reserves after the budget strategy 2019-22 total £14.9m, and are:

	Funds available
	£000
Estates Strategy Reserve	6,026
Management of Change Earmarked Reserve	954
Capital Fund Earmarked Reserve	4,852
Recruitment and Over-Establishment Reserve	400
ESMCP Contingency Earmarked Reserve	326
Other Earmarked Reserves	368
General Reserve	2,000
<b>TOTAL RESERVES</b>	<b>14,926</b>

21. The Budget Strategy 2019-2022 includes two key measures to secure longer term financial sustainability through the use of earmarked reserves:

- (a) The Estates Strategy Reserve to review and remodel fire stations with a view to achieving operational efficiencies. Co-location opportunities are expected to form a key part of this.
- (b) The Capital Fund Earmarked Reserve is set aside to fund the capital programme 2019-2022. This avoids incurring any borrowing or leasing and will generate savings as current leases reach the end of their terms.

22. The General Reserve at £2,000,000 is deemed by the Treasurer to be sufficient and at an appropriate level for the size of the organisation.

### Treasury Management

23. There were no departures from the Treasury Management Policy Statement, which was agreed by the Combined Fire Authority on the 7 February 2018 in respect of prudential indicators or sources and methods of borrowing.

### Forge Health Limited

24. The CFA wholly owns a traded subsidiary; Forge Health Limited. The results of the draft 2018/19 company accounts show a proposed dividend (payable to the CFA) of £30,789. The company accounts will be subject to external audit later in the year.

### Fire and Rescue Indemnity Company Limited (FRIC)

25. FRIC provides cover and protection services to the CFA. The company is established as a mutual and the CFA is one of nine fire and rescue service members. The FRIC draft audited accounts for the year-ended 31 October 2018 show a surplus for the year of £226,000. Since commencement of trading in 2015, FRIC has amassed a total surplus of £833,000. The accounts are to be formally presented to the Members at the Annual General Meeting in June 2019.

### **Report Implications / Impact**

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

None.

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

These are included in the main body of the report.

28. ***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.

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

None.

30. **Environmental**

None.

31. **Impact upon Our Plan Objectives**

The Finance and Resources strategic aim of demonstrating value for money is supported by a well-managed and transparent budget as outlined in this report.

### **Background Papers**

Budget Strategy 2018/19 to 2020/21 (CFA 7 February 2018)

<https://leics-fire.gov.uk/wp-content/uploads/2016/06/item-08-budget-strategy-report-2018-19-to-2020-21.pdf>

Revenue and Capital Outturn 2017/18 (CFA 20 June 2018)

<https://leics-fire.gov.uk/wp-content/uploads/2016/06/revenue-and-capital-outturn-2017-18.pdf>

Financial Monitoring Reports to the Corporate Governance Committee:

- 13 March 2019 –  
<https://leics-fire.gov.uk/wp-content/uploads/2019/03/financial-monitoring-to-end-january-2019-1-1.pdf>
- 23 January 2019 –  
<https://leics-fire.gov.uk/wp-content/uploads/2016/06/financial-monitoring-to-end-november-18-final.pdf>
- 21 November 2018 –  
<https://leics-fire.gov.uk/wp-content/uploads/2016/06/financial-monitoring-to-end-october-18-final.pdf>
- 12 September 2018 –  
<https://leics-fire.gov.uk/wp-content/uploads/2016/06/financial-monitoring-to-end-july-2018-final.pdf>
- 25 July 2018 –  
<https://leics-fire.gov.uk/wp-content/uploads/2016/06/financial-monitoring-to-end-june-18.pdf>

Budget Strategy 2019/20 to 2021/22 (CFA 6 February 2019)

<https://leics-fire.gov.uk/your-fire-service/decision-making/cfa-meetings/>

### **Appendices**

None.

## **Officers to Contact**

Alison Greenhill, Treasurer

[Alison.greenhill@leicester.gov.uk](mailto:Alison.greenhill@leicester.gov.uk)

0116 454 5552

Adam Stretton, Area Manager Business Support

[Adam.stretton@lfrs.org](mailto:Adam.stretton@lfrs.org)

0116 229 2071

Philippa Brown, Senior Accountant and Head of Financial Operations

[Philippa.brown@lfrs.org](mailto:Philippa.brown@lfrs.org)

0116 229 2093