

Status of Report:

Public

Agenda Item:

6

Meeting: Corporate Governance Committee

Date: 24th January 2018

Subject: Financial Monitoring to end December 2017

Report by: The Treasurer

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

For: Discussion

1. Purpose

This budget monitoring report is the third in the budget monitoring cycle and covers the revenue and capital budgets as at the end of December 2017 (Financial Period 9).

2. Recommendations

2.1 The Corporate Governance Committee is asked to:

- a) Note the revenue and capital budget position as at the end of December 2017.
- b) Note the transfer of £463k of anticipated savings in the revenue budget to the Managing Change earmarked reserve, and net savings plus slippage of £222k on the Capital Programme.
- c) Note that the implications of in-year variances will be considered as part of future budget strategy.

3. Executive Summary

- 3.1. The CFA agreed the revenue and capital budgets for 2017/18 at its meeting on the 8th February 2017. Revenue (£631k) and Capital (£1,233k) carry forwards from 2016/17 were agreed by the CFA on the 21st June 2017. The carry forwards are included in the budget figures to this report.
- 3.2. This report indicates the current financial position compared against the updated 2017/18 Revenue Budget and the 2017/18 Capital Programme.

4. Report Detail

Revenue Budget

4.1 The budget figures have been updated to reflect the budget carry forwards agreed by the CFA on the 21st June 2017.

4.2 The updated revenue budget position as at the end of December 2017 is summarised in Table 1 below.

Table 1 - 2017/18 Revenue Budget	Annual Budget after Carry Forwards £000	Adjustments Previously Agreed £000	Current Annual Budget after Adjustments £000	Forecast Outturn £000	Forecast (Savings)/ Overspend £000
Employees	25,551	(22)	25,529	25,399	(130)
Premises	2,355	(100)	2,255	2,168	(87)
Transport	1,038	(30)	1,008	971	(37)
Supplies and Services	4,512	63	4,575	4,404	(171)
Capital Financing	3,378	0	3,378	3,362	(16)
Total Expenditure	36,834	(89)	36,745	36,304	(441)
Controllable Income	(2,770)	0	(2,770)	(2,792)	(22)
Net Budget	34,064	(89)	33,975	33,512	(463)

4.3 The forecast indicates a net saving of £463k on the adjusted budget, which is to be added to the managing change reserve. The most significant variations from the previous report are an additional £90k saving on retained firefighters, a £100k saving on premises, repairs and maintenance, and a confirmed £140k saving on the new Systel maintenance agreement.

Employees:

- Projections of firefighters pay using December payroll have highlighted an overall saving of £13k. This is after allowing for a possible 2% pay award from July 2017. Seconded staff income shows an increase of £21k due to an extra secondment which started during the year.
- A review of workshops staff pay highlights an increased requirement for pay and overtime of £14k.

- Nursing staff requires an extra £6k, due to increased levels of agency staff, a proportion of which is rechargeable to Forge Health Limited.
- The retained salary budget has been compared to the budget profile to date and projected to indicate a further saving of £90k. This is mainly due to the continuing levels of under-establishment and issues with the recruitment and retention of retained staff. The Service is working with the Retained Firefighters Union to look at different approaches to resolve these issues.
- A review of administrative pay indicates no changes required at this stage. Settlement costs due in January 2018 will be funded through earmarked reserve.
- Indirect employees is showing £26k saving, mainly due to lower than anticipated apprenticeship levy charges.

Premises:

- Meetings with the budget holder have indicated that the repairs and maintenance budget is likely to underspend. On current estimates an in-year saving of £100k is anticipated. £10k is transferred to the furniture budget to pay for additional requirements in this area.
- Energy costs are lower than budget but no change to the budget is proposed at this stage due to anticipated higher future costs relating to the coldest months. There is also potential for budget variation on this heading as an agreement needs to be finalised relating to historic running costs of the workshops annex.

Transport:

- Fleet maintenance costs are lower than anticipated and a saving of £60k has been achieved. Work will be undertaken to ascertain if future budget levels need to be adjusted, however it is recognised that some vehicles will have extended service life as part of the fleet strategy.
- Budgets for public transport and casual mileage require a joint increase of £23k. This is mainly due to increased costs for staff working on projects, plus an increase in training travel costs relating to new recruits.

Supplies and Services:

- Net anticipated savings relating to the Systel maintenance agreement are calculated to be £140k. An anticipated saving of £108k following the signing of the system maintenance agreement was set out in the previous report, but was not formally declared, with the confirmed saving to be considered in this current report.
- Postage costs are lower than budgeted therefore a saving of £6k is anticipated.
- A review of expenses such as subsistence and overnight accommodation suggests savings of £11k are likely.

- The hydrants budget is predicted to underspend by £15k due to work by Severn Trent, but outside the chargeable period. This is offset by the £10k increase to the furniture budget already reported plus other small increases totalling £3k. Further savings in the hydrant budget are likely, but will be requested as carry forwards into 2018-19 budget due to the expectation of higher charges being made in respect of hydrants in new developments.
- Support services are expected to underspend by £12k. This is due to increased internal audit days in 2017/18 and one off charge for the strategic procurement review, offset by reduced levels of legal costs.
- A meeting has been held with operational Group Managers and considered the savings on community safety events as well as other station budgets. It is considered that savings this year are likely. A further meeting is to be held with other operational managers later this month and reported in the next report.
- Income from interest on cash balances is predicted to increase by £22k, due in part to the recent increase in the base rate from 0.25% to 0.5%.
- A review of Capital Financing costs indicates a likely saving on finance lease interest budgets (£33k) offset by an increase on the minimum revenue provision (£17k).

5. Capital Programme

- 5.1 A capital programme of £2,250k was approved by the CFA in February 2017. This has been amended by; adjustments totalling £1,342k by this Committee and the CFA in 2016/17, carry forwards of £1,303k approved in June 2017, reductions of £20k in September 2017 and increases of £20k in November 2017, making a current total programme of £4,895k. This is summarised in Table 2 below, which identifies a net saving of £192k (mainly on hydraulic rescue tools), identified slippage of £30k and notes that further slippage can be expected.

Table 2	Programme after Carry Forwards	Changes agreed July-November 2017	Updated programme 2017/18	Forecast Outturn	Forecast (Savings)/Overspend
2017/18 Capital Programme	£'000	£000	£000	£000	£000
Vehicles	1,387	35	1,422	1,403	(19)
Property	2,040	145	2,185	2,177	(8)
Fire Control Project	318	0	318	318	0
IT and Equipment	1,150	(180)	970	775	(195)
TOTAL	4,895	0	4,895	4,673	(222)

Vehicles:

- 5.2 The road safety (VF4) vehicle replacement (£30k) will not be completed in this financial year and will slip to 2018-19. Further costs of £11k have been incurred for the tactical response vehicles.

Property:

- 5.3 A number of projects including the outcomes of the condition survey, refurbishments at Wigston and Lutterworth Stations and installation of a Training Rig Work at Southern will complete in the 2018/19 financial year. It is recognised that there will be slippage in 2017/18 and that monies will be required to be carried forward. It is intended to estimate the slippage amounts in a future report.
- 5.4 A small saving of £8k has arisen on the refurbishment of Market Harborough Station, which is now complete.
- 5.5 Costs for Coalville will be increased due to a change in specification initiated by the Police. Any increase will be funded by the Police.

IT and Equipment:

- 5.6 The final post tender costs for the hydraulic rescue tool replacements are £305k against a budget of £500k, hence a saving of £195k has been made.
- 5.7 Timescales are tight on a number of projects to complete delivery by the end of March 2018. There is likely to be further slippage into the next financial year.

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 Strategy 2017/18 to 2019/20 (CFA 8th February 2017)
- b) Revenue and Capital Outturn 2016/17 (CFA 21st June 2017)
- c) Financial Monitoring to end October 2017 (Corporate Governance 22nd November 2017)

8. **Appendices**

None.