

Status of Report:

Public

Agenda Item:

6

Meeting: Corporate Governance Committee

Date: 13th September 2017

Subject: Financial Monitoring to end July 2017

Report by: The Treasurer

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

For: Decision

1. Purpose

This budget monitoring report is the first in the budget monitoring cycle and covers the revenue and capital budgets as at the end of July 2017 (Financial Period 4).

2. Recommendations

The Committee is asked to:

- a) Note the revenue and capital budget position as at the end of July 2017.
- b) Note the transfer of £70k of anticipated savings in the revenue budget to the Managing Change earmarked reserve and anticipated slippage of £180k in the 2017/18 Capital Programme.
- c) Note the increase of £160k to the capital programme 2017/18 for a two storey extension at Lutterworth Station outlined at paragraph 5.3.
- d) Note that the implications of any in-year variances will be considered as part of future budget strategy.

3. Executive Summary

- 3.1. The Combined Fire Authority (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 July 2017 is summarised in Table 1 below.

Table 1 - 2017/18 Revenue Budget	Annual Budget after Carry Forwards £000	Forecast Outturn £000	Forecast (Savings)/ Overspend £000
Employees	25,551	25,481	(70)
Premises	2,355	2,355	0
Transport	1,038	1,018	(20)
Supplies and Services	4,512	4,532	20
Capital Financing	3,378	3,378	0
Total Expenditure	36,834	36,764	(70)
Controllable Income	(2,770)	(2,770)	0
Net Budget	34,064	33,994	(70)

4.3 The forecast indicates a net saving of £70k on the adjusted expenditure budgets. It is proposed that the forecast saving is transferred to the Managing Change Earmarked reserve. The following should be noted and includes areas of potential future adjustment:

Employees

- Operational Pay is impacted by a number of factors:
 - The proposed firefighters' pay award shows an increase of 2% from the 1st July 2017. The budget strategy allowed for a 1% increase and if this settlement is agreed, it will mean an additional requirement of £210k in year (£280k full year).
 - The latest workforce planning assumptions show that the service will have an under-establishment (before recruitment) of an average 11 full time equivalent operational staff through 2017/18. This will generate in year savings of £420k.

- There are 25 successful candidates following the recent firefighter recruitment campaign and these will commence employment in September 2017. Costs in 2017/18 are estimated at an additional £320k.

Overall this represents a forecast over-spend of £110k in year. The Budget Strategy agreed at CFA in February 2017 included a sum of £400k added to General Reserves to account for the anticipated over-establishment costs. It is intended that any forecast over-spend is met from the General Reserve and therefore there is no variation balance on this heading to report at this stage.

As part of the Budget Strategy 2017-20, the operational pay budget includes £100k for operational resilience. No expenditure has been incurred on this to date and there is potential for in year savings. A report on a range of options will be submitted to Senior Management Team in September to agree a way forward.

- The pay award for Chief Officers has been agreed at 1% back-dated to January 2017.
- Administrative pay is forecast to over-spend in year against the base budget. It is noted however, that administrative pay expenditure includes several temporary posts funded from earmarked reserves for service projects, further posts funded from government grant and a one off redundancy and pension strain cost paid in July 2017. It is intended that any forecast over-spend is met by transfer from earmarked reserves.
- Control is two people under establishment but recruitment is in progress. This will result in a slight saving of £10k.
- The training budget underspent in 2016-17 and budget meetings will be held every alternate month throughout 2017-18 to ensure that tighter control can be kept of the likely outturn position. Current budget holder feedback suggests that the budget will be utilised in year. The award of the tender for the recruits training has been made at a cost of £160k although £250k was allowed in the budget. There are other costs to be borne out of this budget, such as provision of IT tablets and travel costs. It is anticipated that savings of £60k will accrue. It is noted that this is a one off saving and there will be no ongoing budget impact.

Premises

- Repairs and Maintenance is awaiting the full review of the condition survey and the report to the CFA in September to determine how much can be achieved in this financial year.
- Energy budgets were underspent last year in respect of gas usage and the current forecast suggests a £14k saving in year. However, there is an ongoing dispute on the level of recharge for running costs at the workshops annex. If full costs were to be paid, this would offset the forecast savings.

Other factors, such as a cold winter and supplier price changes may affect future energy costs.

- The business rates increase at £120k for 2017-18 has been met from a carry forward from 2016-17 but is recognised as an ongoing issue for the budget strategy 2018/19 to 2020/21. An external organisation has been procured to assist in processing business rate appeals.

Transport

- The fleet maintenance budget is currently on track. The detail of the pending fleet review will be incorporated once reported to CFA in September.
- The leasing budget is to reduce by £20k due to completion of the term of some leases.
- Fuel is forecasting a slight saving at the end of July (£7k). This will be regularly reviewed and any variance reported as necessary.

Supplies and Services

- The new control (Systel) system maintenance agreement is subject to negotiation. It is likely that a reduction in fees will be agreed and an ongoing saving made. A future financial monitoring report will reflect any change when the outcome is known.
- Station budgets for Community Safety events and initiatives have historically been poorly utilised. Meetings are planned to be held on alternate months with managers from Community Safety to discuss and track use of the budget.
- The forecast indicates that hydrant maintenance and installation will show a saving of at least £10k. Quarterly meetings are to be held to ensure that this budget is tracked throughout the year.
- The equipment budget will need an extra £30k to alleviate health and safety concerns on respiratory issues. This will include the purchase of dust face masks.

Income

- Extra grant income of £1,013k was received in late 2016-17 for the Emergency Services Network project has been adjusted in the report. The associated expenditure has been included but the expenditure is likely to be incurred into the next financial year with the profiling of this being unknown at the current time. Once this is known it will be reported and adjusted.
- New Dimensions revenue grant notification for the first 6 months of the year has been notified (£425k), and £283k received for the first 4 months. This was budgeted at £500k in the MTFP. Expectation is that additional income

will be generated but note that any funding for the second half of the year will not be known until the autumn.

5. Capital Programme

- 5.1 A capital programme of £2,250k was approved by the CFA in February 2017, an adjustment of £158k made by Corporate Governance in March 2017 and carry forwards of £1,183k approved in June 2017, making a total programme of £4,895k. This is summarised in Table 2 below which identifies potential slippage of £180k and an increased requirement of £160k.

Table 2	Programme after Carry Forwards	Forecast Outturn	Forecast (Savings)/ Overspend
2017/18 Capital Programme	£'000	£000	£000
Vehicles	1,387	1,387	0
Property	2,040	2,200	160
Fire Control Project	318	318	0
IT and Equipment	1,150	970	(180)
TOTAL	4,895	4,875	(20)

Vehicles:

- 5.2 The outcomes of the fleet review is awaited which could result in changes. The Tactical Response Vehicles are almost completed, pending fitting of equipment.

Property:

- 5.3 Senior Management Team has agreed to an additional (second) storey extension at Lutterworth station at a total additional cost of £160k. The increase is due to additional build costs of £60k plus costs for furniture, fixtures and fittings and architects fees. The extension will provide twice the space and offer opportunity for joint occupancy with other parties, in particular the East Midlands Ambulance Service (EMAS) when their current arrangements expire in the near future. This could be funded by £250k set aside in the capital programme for premises review, be met by balances in the capital earmarked reserve or from slippage in the 2017/18 Capital Programme.
- 5.4 The outcomes of the premises review will inform further changes to the capital programme.

Equipment:

- 5.5 New technology for breathing apparatus communication units is not yet fully tested by the supplier and it is unlikely that procurement will occur before the end of the financial year. Slippage of £180k has been identified which could be used in the 2018/19 capital programme if technical progress is made. User specifications on other areas of operational equipment are being worked on now. Timescale is tight

to complete delivery by end March. And there is likely to be further slippage into next financial year.

Other

- 5.6 The Authority is a mutual member (with eight other fire and rescue authorities) of the Fire and Rescue Indemnity Company (FRIC) for its cover and protection arrangements. The mutual commenced trading on the 1st November 2015 and recently reported on its first year accounts. Overall, the first year of operations reported a surplus of £471k. The related FRIC press release is at the appendix for information.

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)

8. Appendices

FRIC press release