

Status of Report:

Public

Agenda Item:

6

Meeting: Corporate Governance Committee

Date: 23rd November 2016

Subject: Financial Monitoring to end September 2016

Report by: The Treasurer

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For: Discussion

1. Purpose

This budget monitoring report is the second in the budget monitoring cycle and covers the revenue and capital budgets as at the end of September 2016 (Financial Period 6).

2. Recommendations

The Governance Committee is asked to:

- a) Note the revenue and capital budget position as at the end of September 2016.
- b) Note that the implications of the in-year variances will be considered as part of future budget strategy.
- c) Note the transfer of £42k of forecast revenue savings to the Management of Change reserve.
- d) Note the capital programme further slippage of £90k and savings of £12k.
- e) Make any observations to the Chief Fire and Rescue Officer, Treasurer or the CFA.

3. Executive Summary

- 3.1. The CFA agreed the revenue and capital budgets for 2016/17 at its meeting on the 10th February 2016. Subsequently, carry forwards from 2015/16 have been added and forecast revenue savings of £305k were noted in the first monitoring report. These are reflected in the budget figures in this report.
- 3.2. This report indicates the current financial position compared to the updated 2016/17 Revenue Budget and the 2016/17 Capital Programme.

4. Report Detail

Revenue Budget

- 4.1 The budget figures have been updated to reflect the changes agreed by Corporate Governance on the 14th September 2016.
- 4.2 The revenue budget is showing further overall forecast savings of £42k over a number of budget headings, which will be transferred to the management of change earmarked reserve.
- 4.3 The revenue position as at the end of September 2016 is summarised in Table 1 below.

Table 1 - 2016/17 Revenue Budget	Original Annual Budget £000	Adjustments Previously Agreed £000	Current Annual Budget after Adjustments £000	Forecast Outturn £000	Forecast (Savings)/Overspend £000
Employees	25,097	(199)	24,898	24,798	(100)
Premises	2,106	40	2,146	2,146	0
Transport	1,130	(72)	1,058	1,058	0
Supplies and Services	3,179	147	3,326	3,384	58
Capital Financing	4,703	30	4,733	4,733	0
Total Expenditure	36,215	(54)	36,161	36,119	(42)
Controllable Income	(1,524)	(133)	(1,657)	(1,657)	0
Contribution to Reserves	0	305	305	347	42
Net Budget	34,691	118	34,809	34,809	0

- 4.4 The forecast indicates a net saving of £42k on the adjusted expenditure budgets.

- Employees budgets are anticipated to show £100k net savings, mainly attributable to administrative staff pay to reflect recent vacancies, reductions in the establishment and the transfer of the committee services function to the County Council.
- Supplies and Services are expected to require a net additional £58k. Some £70k is required to update ICT software and systems to provide business

process improvement and development and for a review of systems to ensure emergency services network compliance. £6k is required for the aforementioned new arrangements for the committee services function. Savings of £18k are expected due to lower fees from our external auditors, KPMG.

5. Capital Programme

- 5.1 A capital programme of £3.59m was approved by the CFA in February 2016 with carry forwards of £711k approved in June 2016, making a total programme of £4.301m. The meeting of the 14th September agreed a reduction of £2.209m to the programme in 2016/17. The updated programme as reported to the Committee in September is summarised in Table 2 below. Overall, the programme is showing further expected slippage of £90k and savings of £12k, a total variance of £102k.

Table 2					
2016/17 Capital Programme	Original Programme	Changes Agreed September 16	Updated Programme 2016/17	Forecast Outturn	Variance
	£'000	£'000	£'000	£'000	£'000
Vehicles	2,775	(2,261)	514	514	0
Property	726	134	860	860	0
Fire Control Project	319	0	319	319	0
IT and Equipment	481	(82)	399	297	(102)
TOTAL	4,301	(2,209)	2,092	1,990	(102)

Vehicles:

- 5.2 The five Tactical Response Vehicles (TRV) needed to meet the Integrated Risk Management Plan (IRMP) have been ordered and the first prototype vehicle has been delivered for fit out. The remaining four vehicles are due to be delivered by the end of December 2016 although fit-out will follow a trial of the prototype vehicle. The cost of the TRV's is forecast at £100k per unit based on a full review of the specification requirements.
- 5.3 Capital receipts totalling £59k have been received following the sale of the Aerial Ladder Platform, the Princes Trust minibus and the Incident Response Unit.

Property:

- 5.4 The project for the new build at Castle Donington Fire station is awaiting completion and final costings. Details of the project are provided within the Projects report elsewhere on the Committee agenda. The service holds £185k of government capital grant to provide a purpose built training rig facility for our Urban Search and Rescue team. This is not included in the above table whilst it is awaiting approval. Management have initially agreed that this can be located at Southern station. A feasibility report is due for completion by end December that will outline the type and cost of facility that may be provided.

- 5.5 The service continues to collaborate with other organisations to share services and accommodation, achieving synergies and economies. A lease has been exchanged so that the building of an extension to Coalville Fire Station to accommodate the police and ambulance services can commence. Work timescales are reported in the Project report elsewhere on this agenda. The capital cost is anticipated at £737k and will be wholly funded by the Police, to whom a peppercorn rent will be charged. £350k is expected to be spent in 2016/17, with the balance of £387k in 2017/18. A costing review and payment profile is awaited.
- 5.6 Work to procure contractors for the adaptations at Market Harborough and Lutterworth is due for completion by the end of November. Final costings will then become known. Further details are outlined in the Projects Report elsewhere on this agenda.

IT and Equipment:

- 5.7 Work to implement a new website has been completed with a budget saving of £6k due to lower than anticipated costs. The final costs for the procurement of hydraulic cutting units have been received and this has resulted in a further saving of £6k.
- 5.8 Planned work to implement a common telephony system across the service is subject to senior management review. Given procurement timelines, any implementation will not be achievable before the end of March 2017 and therefore £90k of spend will slip to the next financial year.

6. Treasury Management Half-year update

- 6.1 No new borrowing has taken place during 2016/17. The original capital programme anticipated that all new projects would be financed from a revenue reserve, and no borrowing has been due for repayment which would have necessitated replacement loans being required. Leases have ended at the end of their natural terms, and no new leases have been acquired. The table below shows the position at 30th September:

	Amount outstanding 30/09/16 £m	Average interest rate %
Debt	14.5	3.9
Leases	4.1	2.9

- 6.2 Since July much of the Treasury Management function has been undertaken by the City Council. Since then, surplus funds above an agreed working balance have been transferred to the Council to be invested together with their funds. At 30th September £9.7m was held by the City Council, and £1.2m with banks and other financial institutions as per the treasury management strategy. The average interest rate achieved was 0.51%, most of which was received from the City Council and reflects the extremely low interest rates currently available. The bank base rate was cut from 0.5% to 0.25% during the period.

6.3 When the treasury strategy was approved at the beginning of the year, the CFA approved a number of limits to borrowing and investment amounts and periods. These limits have been complied with.

7. Report Implications / Impact

7.1. *Legal (including crime and disorder)*

None.

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

These are included in the main body of the report.

7.3. *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.

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

None

7.5. *Environmental*

None.

7.6. *Impact upon Our Plan Objectives*

None.

8. Background Papers

- a) Budget Strategy 2016/17 to 2019/20 (CFA 10th February 2016)
- b) Revenue and Capital Outturn 2015/16 (CFA 22nd June 2016)
- c) Financial Monitoring to end July 2016 (Corporate Governance Committee, 14th September 2016)

9. Appendices

None.