

**Status of Report:**                                 **Public**

**Meeting:**         **Combined Fire Authority**

**Date:**             **29 July 2020**

**Subject:**         **Revenue and Capital Outturn 2019-20**

**Report by:**      **The Treasurer**

**Author:**         **Amy Oliver (Chief Accountant Leicester City Council)**

**For:**              **Decision**

### **Purpose**

1. This report informs the Combined Fire Authority (CFA) of the final revenue and capital outturn figures for 2019/20. The figures will be subject to External Audit review before the final Statement of Accounts is submitted for approval to the CFA. It seeks approval to carry forward funds for specific purposes.

### **Recommendations**

2. The CFA is asked to:
  - a) Note the revenue and capital provisional outturn position for 2019/20.
  - b) Agree that £2,092,000 of capital funding be carried forward into 2020/21.
  - c) Agree that Covid-19 grant of £159,000 be transferred to an earmarked reserve for future Covid-19 related costs.
  - d) Agree the remaining revenue underspend of £735,000 is transferred to the Capital Fund earmarked reserve to assist with funding the future capital programme.
  - e) Note the update on the Fire and Rescue Indemnity Company Ltd.

### **Executive Summary**

3. The CFA agreed the revenue and capital budgets for 2019/20 at its meeting on the 6 February 2019. Subsequently, carry forwards from 2018/19 were added and budget virements agreed 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 £894,000 across a range of budgets and £2,092,000 slippage on the updated capital programme.

## Background

### Revenue Budget

5. The revenue budget shows an overall underspend of £894,000 over a number of budget headings. It is proposed to move the underspend to Capital Fund earmarked reserve to fund the future capital programme. This is in line with the forecast underspend previously reported.
6. 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>	28,382	27,759	(623)
<b>Premises</b>	2,354	2,523	169
<b>Transport</b>	983	1,013	30
<b>Supplies and Services</b>	3,291	3,429	138
<b>Capital Financing</b>	3,573	3,570	(3)
<b>Contribution to Reserves</b>	265	265	0
<b>Total Expenditure</b>	38,848	38,559	(289)
<b>Controllable Income</b>	(1,137)	(1,742)	(605)
<b>Net Budget</b>	<b>37,711</b>	<b>36,817</b>	<b>(894)</b>

7. The outturn indicates a net underspend of £894,000 on the adjusted budgets. The main variances are summarised below.

### **Employees Expenses**

- i. Firefighters pay underspent by £330,000. This is due to firefighters on trainee and development salaries during the year, along with a small number of vacancies.
- ii. The support staff budget underspent by £615,000. This is mainly in relation to being 22 FTE's below establishment, though there is temporary agency cover, together with external support services for some of these posts.

- iii. As previously reported, there are continued pressures within the Control Room amounting to an overspend of £116,000 where the budget is not correctly aligned. This overspend has been funded from overall underspends. The additional budget requirement has been incorporated into the 2020/21 budget.
- iv. Retained staff underspent by £252,000 due to the additional budget included to fund pay policy changes and organisational resilience in preparation for the IRMP, which is not yet required in full.
- v. The Occupational Health Service recorded an overspend of £79,000, due to covering vacancies using agency staff.
- vi. Although previously forecasting a significant overspend in training, this came in with a minor overspend of £30,000 as less training was delivered than suggested by the updated forecasts
- vii. Due to the underspend on employees expenses the planned contribution from reserves to assist with the costs of temporary employees was not required. This reduced the overall underspend to £622,000 as reported in the table and has made additional one-off money available in the future.

#### **Premises, Transport, Supplies and Services**

- viii. Premises overspent by £169,000. This mainly relates to a £98,000 overspend on business rates due to revaluations as previously reported, this has been resolved in the 2020/21 budget. There was also an overspend on electricity costs of £67,000.
- ix. Transport had a minor overspend of £30,000.
- x. Supplies and Services overspend of £139,000 mainly relates to the planned contribution from earmarked reserves in relation to carry forwards from previous years no longer being required due to the overall underspend for the Authority. This will make more funding available for the future to support one-off items of expenditure.

#### **Capital Programme**

- 8. After inclusion of agreed carry forwards from 2018/19, the capital programme 2019/20 totalled £5,291,0000. The Capital Programme underspent by £2,440,000 of which £2,092,000 is requested as slippage into 2020/21. Along with the slippage, £286,000 of savings have been identified.

9. The capital outturn is summarised in Table 2 below.

<b>Table 2</b>					
<b>2019/20 Capital Programme</b>	<b>Programme £'000</b>	<b>Actual Outturn £'000</b>	<b>Variance £'000</b>	<b>Slippage £'000</b>	<b>Saving £'000</b>
Vehicles	3,094	2,297	(797)	748	49
Property	347	155	(192)	130	0
Fire Control Project	318	0	(318)	318	0
IT and Equipment	1,532	399	(1,133)	896	237
<b>TOTAL</b>	<b>5,291</b>	<b>2,851</b>	<b>(2,440)</b>	<b>2,092</b>	<b>286</b>

**Vehicles:**

10. The vehicle budget includes £683,000 for a new Aerial Ladder Platform which is subject to consultation as part of the Integrated Risk Management Plan (IRMP) and therefore carry forward of this balance is requested. In addition, projects for the command support and training vehicles are still to complete and slippage of £65,000 is requested for these. Savings of £49,000 have been identified and are being offered up as part of this report.

**Property:**

11. Some year-three Condition Survey work remains to be completed and slippage of £130,000 is requested to be carried forward.

**Fire Control Project:**

12. £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 DCLG for the Tri-Service Control Project. Final payments to the supplier are anticipated to occur in 2020/21.

**IT and Equipment:**

13. Project expenditure totalling £896,000 is requested to be carried forward. These projects include £440,000 for operational equipment including, £63,000 for fit out of the training vehicle, £119,000 for demountable vehicle devices. The significant slippage for IT relate to the following projects: £61,000 for governance indexing solution, £63,000 for the views replacement project, £60,000 for learning pool, £56,000 for FireWatch together with a number of smaller IT projects. Further to the slippage £237,000 of savings have been identified mainly in relation to IT projects no longer being required or scope being revisited. The main project relates to the GDPR system where alternative solutions have been identified.

## Reserves

14. As noted above, it is proposed that the £735,000 balance of the revenue underspend should be transferred to the Capital Fund Earmarked Reserve. In addition to this it is proposed a £159,000 of Covid-19 grant should be transferred to its own reserve to fund future Covid-19 costs.
15. Following this transfer, the current balances held in general and earmarked reserves are:

	Funds available
	£000
Estates Strategy Reserve	6,026
Management of Change Earmarked Reserve	1,219
Capital Fund Earmarked Reserve	4,554
Recruitment and Over-Establishment Reserve	400
ESMCP Contingency Earmarked Reserve	326
Covid-19 Earmarked Reserve	159
Other Earmarked Reserves	353
General Reserve	2,147
<b>TOTAL RESERVES</b>	<b>15,184</b>

16. Detail on the main reserves in the above table are provided below:
- i. The **Estates Strategy Reserve** exists to facilitate a longer-term review of the operational estate. Improving the operational efficiency of buildings is a key plan in the strategy to improve operational effectiveness and increase financial resilience.
  - ii. The **Management of Change Earmarked Reserve** has been set aside to support the required actions following the outcomes of the Integrated Risk Management Plan (IRMP) and the HMICFRS inspection plan. A transfer of £265,000 to this reserve has been completed as per the 2019/20 budget strategy.
  - iii. The **Capital Fund Earmarked Reserve** is set aside to fund the capital programme and future programmes. This avoids incurring any borrowing or leasing and will generate savings as current leases reach the end of their terms. The underspend from the revenue budget is proposed to be moved making £4,554 more available to support future capital programmes.
17. The General Reserve currently stands at £2.1m, going forward the budget includes contributions to this reserve to provide cover against the cost of providing cover in the event of a strike.

## **Treasury Management**

18. There were no departures from the Treasury Management Policy Statement, which was agreed by the CFA at its meeting on the 6 February 2019 in respect of prudential indicators or sources and methods of borrowing.

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

19. FRIC provides cover and protection services to the CFA, in place of directly purchased commercial insurances. The company is established as a mutual and the CFA is one of eleven fire and rescue service members (an additional two members having joined in April 2019). The FRIC draft audited accounts for the year-ended 31 October 2019 show a surplus for the year of £117,083. Since commencement of trading in 2015, FRIC has amassed a total surplus of £950,608. The accounts were presented to the Members at the FRIC Annual General Meeting in June 2020. The members share liability for any losses that the company may incur.

## **Report Implications / Impact**

20. Legal (including crime and disorder)

None.

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

These are included in the main body of the report.

22. 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.

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

None.

24. Environmental

None.

25. 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 2019/20 to 2021/22 (CFA 6 February 2019)

<https://leics-fire.gov.uk/wp-content/uploads/2016/06/budget-strategy-2019-20-final.pdf>

Revenue and Capital Outturn 2018/19 (CFA 19 June 2019)

<https://leics-fire.gov.uk/wp-content/uploads/2019/06/revenue-and-capital-outturn-2018-19-.pdf>

Financial Monitoring Reports (Corporate Governance Committee, 11 March 2020; 20 November 2019; 18 September 2019)

<https://leics-fire.gov.uk/wp-content/uploads/2020/03/financial-monitoring.pdf>

<https://leics-fire.gov.uk/wp-content/uploads/2019/11/item-6-financial-monitoring-to-end-sept-19.pdf>

<https://leics-fire.gov.uk/wp-content/uploads/2019/09/financial-monitoring-to-end-july-2019-.pdf>

Budget Strategy 2020/21 to 2021/22 (CFA 12 February 2020)

<https://leics-fire.gov.uk/wp-content/uploads/2019/09/financial-monitoring-to-end-july-2019-.pdf>

## **Appendices**

None.

## **Officers to Contact**

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