DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**DSFRA/14/10**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY (Ordinary Meeting)**
DATE OF MEETING	**29 MAY 2014**
SUBJECT OF REPORT	**PROVISIONAL FINANCIAL OUTTURN 2013-14**
LEAD OFFICER	**Treasurer**
RECOMMENDATIONS	***(a) That the following two proposed transfers to Earmarked Reserves, as outlined in paragraph 12.1 of this report, be approved;*** ***I. an amount of £0.300m be transferred to an Earmarked Reserve to fund two one-off essential spending pressures not included in the 2014-15 revenue budget;*** ***II. an amount of £2.349m be transferred to the Earmarked Reserve for Direct Revenue Funding to Capital.*** ***(b) That the capital determinations in relation to the funding of the 2013-14 capital spending, as detailed in paragraph 18.1 of this report, be approved;*** ***(c) That subject to (a) and (b) above, the position in relation to the Revenue and Capital Outturn, as indicated in this report, be noted.***
EXECUTIVE SUMMARY	This report provides the financial outturn position for 2013-14, for both revenue and capital spending, and makes recommendations as to how the underspend against the revenue budget of £2.649m is to be utilised. The figures included in this report are provisional at this stage, subject to external audit of the Accounts during July/August 2014.
RESOURCE IMPLICATIONS	As indicated in the report

EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	The contents of this report are considered compatible with equalities and human rights legislation.
APPENDICES	A. Provisional Revenue Outturn Position 2013-2014. B. Summary of Reserve and Provision Balances at 31 March 2014
LIST OF BACKGROUND PAPERS	Financial Performance Report 2013-14 (RC/14/8) to Resources Committee 16 May 2014

1. INTRODUCTION

1.1 This report provides the Authority with the final outturn position (subject to audit) for revenue and capital spending for the financial year 2013-14, and makes recommendations as to how the underspend against the revenue budget is to be utilised. The report is in two parts. Section 1 deals with the revenue outturn position while Section 2 deals with the position in relation to capital spending.

1.2 The Authority has been informed of the difficult financial climate that local authorities are currently operating under as a result of cuts in government funding. In setting the 2014-15 revenue budget for the Authority, in February 2014, consideration of the Medium Term Financial Plan (MTFP), recognised that further recurring savings will be required over the next three years to 2017-18, over above the savings already agreed by the Corporate Plan proposals in July 2013. Further details of our savings requirements, forecast within the MTFP targets, are included in paragraph 13 of this report.

1.3 Mindful of this difficult outlook the strategy adopted during the last financial year 2013-14 was to secure as much in-year savings as possible with a view to adding to Authority Reserve balances. Members of the Resources Committee will recognise from budget monitoring reports considered during the financial year that the adoption of this strategy was anticipated to deliver savings against the 2013-14 budget (previous forecast at Quarter 3 was for a saving of £1.932m). The provisional outturn figure for 2013-14, now included in this report, is for an underspend of £2.649m, equivalent to 3.45% of total budget.

1.4 It should be recognised that in achieving this very positive result, budget managers have reviewed each area of spend and continue to implement more cost effective ways of delivering the Service. Having seen significant numbers of staff leave the organisation in recent months, there is an even stronger recognition that central government grant reductions require significant change and tough financial management throughout the Service.

1.5 Members will also recall that in setting a balanced budget for the current financial year 2014-15, in February 2014, an amount of £3.6m has already been taken from the base budget to reflect on-going revenue savings and as a result, it is anticipated that future budgets will be exceedingly tight moving forward.

1.6 The out turn position is of course, a welcome result and provides the opportunity to transfer this amount into Reserve balances to be utilised in the best possible way to assist future budget setting. In practical terms, this money will be used to reduce debt charges and the associated annual cost of paying back debt so whilst the saving is a one-off and not a sustainable solution to our forecast budget shortfalls, we are using the money saved in the most effective way to assist take pressure of future budgets which we know will continue to be very challenging.

1.7 The Resources Committee, at its meeting on 16 May 2014, considered an earlier version of this report. While the actual figures have changed slightly since that time, the Committee resolved to recommend the Authority to approve the transfer of underspend to the identified earmarked reserves (Minute RC/24 refers). This recommendation is reflected in this report.

2. SECTION 1 – REVENUE OUTTURN 2013-14

2.1 Total revenue spending in 2013-14 was £74.135m, compared to an agreed budget of £76.784m, resulting in an underspend of £2.649m, equivalent to 3.45% of total budget. A summary of spending is shown in Table 1 overleaf, and Appendix A provides a more detailed analysis of spending against individual budget heads.

TABLE 1 – SUMMARY OF REVENUE SPENDING 2013-14

	£m	£m	£m
Approved Budget			**76.784**
Gross Spending *(Appendix A Line 28)*	76.868		
Gross Income *(Appendix A Line 33)*	(4.434)		
Net Spending		72.434	
PLUS Transfers to Earmarked Reserves			
- Community Safety Prevention *(Appendix A Line 35)*	0.450		
- 2013-2014 Carry Forwards *(Appendix A Line 36)*	0.937		
- Grants Unapplied *(Appendix A Line 37)*	0.314		
Total Transfer to Earmarked Reserves *(Appendix A Line 38)*		1.701	
TOTAL NET SPENDING			**74.135**
NET UNDERSPEND			**(2.649)**

2.2 These figures are based upon the spending position at the end of March 2014 and whilst they provide a provisional financial performance for the year, are subject to final accounting adjustments and audit scrutiny for the year end.

2.3 As part of the discussions around the approval of the Corporate Plan in July 2013, the Service strategy to deliver further on-going savings of £6.8m by 2015-16 includes a savings target of £1.5m to come from non-operational support functions. Report DSFRA/13/16 "Non-operational Savings" considered at the Devon and Somerset Fire and Rescue Authority (DSFRA) meeting on the 10 July 2013 (Minute DSFRA/19 refers) identified how this figure of £1.5m can be achieved including the deletion of approximately 40 posts by the end of this financial year.

2.4 During 2013-14 management have taken decisions to delete support staff post and at the year-end had reached 41 posts against a target of 40, contributing £1m of in-year savings. Voluntary redundancy arrangements have been used and will continue to be used to speed up the reduction of posts as agreed by the Authority.

2.5 These in-year savings form a significant contribution to the £2.649m underspend against the current year revenue budget. In addition, all budget managers had been tasked by the Chief Fire Officer and Executive Board to reduce spending ‘in year’ and managers have responded accordingly, reflecting an understanding that a different approach is required to financial management in order to mitigate against further budget cuts to come. Savings against other budget heads e.g. Uniformed staffing costs, Training Expenses and Capital Financing Costs are also reported. Explanations of the more significant variations from budget (over £50k variance) are explained below in paragraphs 3 to 10.

3. <u>EMPLOYEE COSTS</u>

Wholetime Staff

3.1 Gross Spending on wholetime pay was £0.520k under budget, equivalent to 1.62% of the total wholetime pay budget. This is primarily as a result of the implementation of the Corporate Plan proposals in-year to reduce the number of wholetime posts, as agreed at the Fire Authority meeting held in July 2013, and the management of vacancies during the year. The reported figure in Appendix A of an underspend of £0.039m is after an additional amount of £0.481m set aside in Provision balances to provide funding against future Pension liabilities, required as a result of changes during the year. See paragraph 12.3 of this report for more details of Provision balances.

Retained Pay Costs

3.2 Spending on retained staffing was £0.406m below budget. It should be emphasised that by its very nature retained pay costs can be subject to significant variations e.g. volatility to spending caused from spate weather conditions.

Control Room Staff

3.3 The underspend on Control room staffing of £0.131m is due to the holding of four vacant temporary posts relating to training requirements for the National Control Project which have now been filled.

Non Uniformed Pay

3.4 Management action already taken this year has resulted in the deletion of significant number of support staff posts. At the end of the financial year, 41 posts had been removed from the establishment, resulting in savings of £1m against a budget of £10.974m. This figure is net of redundancy payments for non-uniformed staff.

Training Expenses

3.5 Gross spending on Training Expenses is £0.659m under budget, primarily due to the significant reduction in headcount throughout the service and planned changes to the training and development system.

3.6 The reported underspend against this budget head (Appendix A Line 5) is however offset by an amount of £0.295m relating to the need to set aside in a Provision an amount to provide funding towards an identified shortfall on the Equalisation Fund set up as part of the overall PFI funding of the Severn Park Training Centre at Avonmouth. Paragraph 12.3 of this report provides further detail on Provision balances.

Pension Costs

3.7 An overspend on Pension Costs of £0.364m relates to additional ill-health retirement costs which are required to be charged to the DSFRS Revenue Account.

4. PREMISES RELATED COSTS

Repair and Maintenance

4.1 Savings against budget of £0.154m for Repair and Maintenance are primarily due to slippage in schemes, efficiencies within the planned maintenance programmes, and a reduction to the volume of repairs which are completed by external contractors.

Rent and Rates

4.2 The over spend of £0.071m on Rent and Rates is primarily due to Business Rates costs at the airport site of £0.050m not budgeted.

5. TRANSPORT RELATED COSTS

Travel and Subsistence

5.1 Savings of £0.153m have been realised from Travel expenses, specifically £0.090m on Contract Car Hire Vehicle leases and £0.050m in relation to travel expenses which had been set aside to meet additional travel costs from the combination of control rooms.

6. SUPPLIES AND SERVICES

Equipment and Furniture

6.1 Savings of £0.314m on equipment and furniture are primarily as a result of the adoption of planned procurement and spending strategies on ICT equipment.

Aborted Capital Charges

6.2 It should be noted that this figure is net of a charge of £0.114m against this budget line relating to aborted capital charges. This action is necessary following a supplier, Browns Coachworks, going into Administration, leaving the Service with part built vehicles to which we have no title.

6.3 During 2012 the Service identified a need for replacement Incident Command Units and a mini-competition was undertaken using a national framework contract managed by The Consortium. As a result, a contract dated 10 December 2012 was awarded to Browns Coachworks Ltd.

6.4 Three stage payments totalling £0.114m were made between June and August 2013. In October 2013, the Service was made aware that Browns Coachworks Ltd had been placed into administration. Subsequent conversations with the Administrators identified that there was doubt over the title of the three vehicles and legal advice confirmed that title had not passed to the Service when the payments were made. Stage payments are usual practice in complex operational vehicle production but this particular framework contract specified other payment arrangements.

6.5 Negotiations were entered into with the Administrators in an attempt to agree a price to secure the vehicles for the Service in order to minimise the loss but, unfortunately, these negotiations proved unsuccessful. The discrepancies in the way the contract arrangements were managed are subject to internal investigation and legal advice and, consequently, further details cannot be made available in the public domain.

6.6 Funding for this project, totalling £0.420m, had been included within the 2013-14 Capital Programme and the spend-to-date of £0.114m (27%) had originally been charged against this programme. However, given the current position and the fact that there is no longer any asset value attributable to these vehicles, accounting rules require this cost to be charged to the revenue account as aborted fees. These fees have therefore been funded from within the 2013-14 revenue outturn position.

Communications

6.7 Spending on Communications equipment is £0.060m less than budget as a result of the delays in the roll-out of National Fire Control project which will not go live until later this year.

Uniforms

6.8 The under spend of £0.734m on uniforms is due to reduced staff numbers and a delay in the planned refreshment of Personal Protective Equipment (PPE), which is now planned to go ahead in 2014-15.

External Fees and Services

6.9 Due to the strategic reduction in the number of external contractors used, expenditure on External fees and services is underspent by £0.123m.

7. ESTABLISHMENT COSTS

Printing, stationery and office expenses

7.1 Savings of £0.083m have been made against printing and stationery budgets due to improved procurement practice. In particular savings have been realised as a result of a new contract for photocopiers.

8. PAYMENTS TO OTHER AUTHORITIES

Support Service Contracts

8.1 The significant over spend of £0.457m is predominantly due to mutual aid provided by other Fire and Rescue Services in the Somerset levels flooding incident. All of this cost is offset by grant income (Appendix A Line 30) to be recovered from the central government recovery scheme.

8.2 Total costs associated with the Somerset levels incident are £0.643m of which an amount of £0.430m relates to mutual aid costs from other Fire and Rescue Services. The remaining cost of £0.213m relates to additional costs incurred by DSFRS in supporting the incident. The Service has already lodged a claim with the government to recover costs under the emergency Bellwin scheme. However under the scheme the Authority is only able to claim above a government set threshold equivalent to 2% of total revenue budget i.e. £0.153m. Representations are being made to the government to ask that the £0.153m is also recoverable but at this time there is no indication to suggest that this will be paid.

9. CAPITAL FINANCING COSTS

Capital charges

9.1 The spending on Capital Charges is £4.233m, a saving of £0.330m against budget. This is primarily due to a reduction in debt charges because of the significant slippage in capital spending and the resultant reduction in the need for external borrowing.

10. INCOME

Treasury Management Income

10.1 Due to better than expected yields on Investment activities in 13-14, Treasury Management income was £0.073m better than budget.

Grants and Reimbursements

10.2 Income from Grants and Reimbursements was £1.173m more than budgeted. However, the majority of funds are matched by additional spending items in year (reflected on expense lines) resulting in no net savings. In particular there is £0.490m of income included as the expected recovery amount from central government's Bellwin scheme reference the Somerset Levels Flooding incident. This figure also includes an amount of £0.314m relating to grants received during the year but not been applied to spending. Under International Financial Reporting Standards (IFRS) these grants are required to be identified to the Authority at year-end and transferred to an Earmarked Reserve for application in future years when spending is actually incurred. An analysis of these grants is shown in Table 2 overleaf.

11. CONTRIBUTION TO EARMARKED RESERVES

11.1 The 2013-14 outturn figures in Appendix A includes three transfers to Earmarked Reserves, as follows:

- **Community Safety Prevention Initiatives (£0.450m)** - One of the eleven proposals, approved as part of the Corporate Plan, was for an amount of £0.450m to be set aside and used to enhance our targeted approach to towards prevention activity in its widest sense. At its meeting on the 19 December 2013, the Authority approved the transfer of £0.450m to an Earmarked Reserve from the 2013-14 revenue outturn budget to fund this spending. It is intended that this activity will be spread over a number of years in support of the delivery of the Corporate Plan proposals. There has been £0.045m spent in 2013-14.
- **2013-14 Budget Carry Forwards (£0.937m)** – a number of committed projects planned to be delivered by the end of March 2014 have not been completed or delivered on time, and budget carry forwards are therefore required to enable the completion of those projects in 2014-15. These projects relate to:
    - Replacement Work wear for operational staff (£0.450m). Spending against this Reserve will be subject to further reports to the Authority once an alternative issue has been identified and a roll out programme considered.
    - Replacement Breathing Apparatus kit (£0.135m).
    - Property Maintenance Projects (£0.059m).
    - Change and Improvement Projects (£0.228m) – delays in implementation of projects relating to Training Records, Information Assurance, Stores Review, Accident Reporting and training requirements.
    - Mobile Data Upgrades for fire appliances (£0.065m).
- **Grants Unapplied (£0.314m)** – as is outlined in paragraph 10.2 of this report, under the new IFRS accounting arrangements, any unused grants at the year-end, which are not subject to repayment are to be identified and carried forward to 2014-15. An analysis of such grants is shown in Table 2 overleaf.

TABLE 2 – UNSPENT GRANTS TO BE CARRIED FORWARD TO 2014-2015

Grant Received From	£m	Purpose of Grant
Department of Communities and Local Government (CLG)	0.110	Allocation to DSFRS in March 2014 from unused Capitalisation Funding.
Department of Communities and Local Government (CLG)	0.165	Allocation to DSFRS from Small Business Rates Relief Scheme. Grant received of £0.182m, amount transferred to earmarked reserve of £0.165m, net of cash shortfall of £0.17m in business rates funding in 2013-14.
Department of Communities and Local Government (CLG)	0.039	To fund Urban Search and Rescue (USAR) activities.
TOTAL	**0.314**	

12. PROPOSALS FOR UTILISATION OF THE UNDERSPEND

12.1 The provisional outturn position was considered at the meeting of Resources Committee held on the 16 May 2014. Following that meeting it is recommended that the underspend figure of £2.649m be used to fund two further transfers into Earmarked Reserves, as follows:

(a) **Essential Spending Pressures 2014-15 (£0.300m)** – Since setting the 2014-15 revenue budget in February 2014 two essential spending items totalling £0.300m have been identified by the Service Leadership Team for which no budget provision has been made. Since each of these items are one-off in nature it is proposed that funds be made available from the 2013-14 underspend by way of a transfer to Earmarked Reserves. The requested spending items relate to;

- Enhancement of Home Fire Safety Visit programme (£0.100m).
- Works relating to compliance with water regulations at a limited number of stations (£0.200m).

(b) **Capital Funding Reserve (£2.349m) –** The Authority has been informed that the capital programme for 2014-15 to 2016-17 has been constructed on the basis that the debt ratio (debt charges expressed as a percentage of the total revenue budget) is kept within an agreed target of 5%. Whilst this position will help to keep the authority's exposure to external debt to more affordable levels, it is doubtful that this position can be sustained indefinitely if the identified capital investment backlog, including the phased roll out of the Light Rescue Pumps (LRPs), is to be addressed.

At the budget meeting in February 2014 the Treasurer reported (Report DSFRA/14/12 Capital Programme 2014-15 to 2016-17) that based on current spending forecasts there is a risk that the 5% limit will be breached in the year 2017-18, and even more concerning, that levels of external debt will increase from current levels of £26m to £36m by the year 2020. It is the Treasurers view that this level of debt will not be affordable; particularly at a time of a reducing revenue base as a consequence of further funding reductions. It is therefore important that the Authority considers alternative forms of funding capital spending other than borrowing.

The underspend position in 2013-14 provides an opportunity to set aside a one-off amount to be used to provide direct revenue funding towards future capital spending therefore reducing forecast debt requirements. It is therefore recommended that the remaining balance of the underspend of £2.349m be transferred to the Earmarked Reserve for Direct Revenue Funding to Capital. Approval of this recommendation would deliver on-going savings on future debt charges of £0.245m from 2015-16 onwards, therefore contributing to our forecast savings targets required over the next three years.

12.2 A summary position of Reserves and Provisions as at 31 March 2014, including the recommendations included in this report, is included as Appendix B to this report.

Provisions

12.3 Included in Appendix B is a summary of the Provision balances as at 31 March 214. As part of the year-end process the Authority is required to review the adequacy of Provision balances and consider whether any changes during the year require additional amounts to be set aside. As a result of the most recent review it has been assessed that an additional charge of £0.776m should be set aside in Provisions therefore increasing the total balance as at 31 March 2014 to £2.378m. The additional £0.776m relates to two items:

Future Pensions Liability (£0.481m) – Legislative changes affecting the Firefighter Pension Schemes has resulted in the need to set further sums aside to fund future pension liabilities. The latest assessment of forecast liabilities has resulted in the need to increase this Provision by an amount of £0.481m, increasing the total Provision as at 31 March 2014 to £2.083m.

In particular, Members will be aware of the impending financial liability relating to the Employment Tribunal which ruled that, under the Part-Time Workers (less than favourable working conditions) Regulations, retained firefighters should have had the same access to pension benefits as their full-time colleagues. Whilst from 2006 retained staff have had such access, this was not the case prior to 2006. The ruling has meant that individual retained firefighters, both existing and retired, can now access the Firefighter Pension Scheme for the period from the year 2000 (the year the employment Tribunal was lodged) until 2006.

In March 2014 the government published its response following last year's consultation from the Department for Communities and Local Government, and the enabling legislation has now come into force from 1 April 2014.
This legislation requires each fire and rescue authority to adopt the following options timetable to identify the interest in the scheme.

FRAs are required to use reasonable endeavours to notify all persons eligible to join the modified scheme **within 2 months** of the enabling legislation coming into force.

a. Eligible persons will then be required to indicate their interest in joining the scheme, and to submit information (where possible) to confirm their eligibility, details of service during the limited period, levels of historic pay and brigade location etc, **within 2 months** of receiving notification from the fire and rescue authority. For these cases, if an interest is not declared within 2 months of receiving the notification from the fire and rescue authority the opportunity to join the scheme will be lost for that individual.

b. Eligible members who have not been notified of their entitlement to join the modified scheme by the relevant fire and rescue authority will have **4 months from the date that the legislation comes into force** to declare their initial interest in joining the scheme, and to submit information (where possible) to confirm their eligibility, details of service during the limited period, levels of historic pay and brigade location etc. For these cases, if an interest is not declared within the 4 month period then the opportunity to join the scheme will be lost for that individual.

c. FRAs are required to write to each eligible person who indicated an initial interest in joining the modified scheme, **within 6 months** of the date of receiving their notification, setting out the amount of special service that they have entitlement to purchase during the limited period and the associated costs of purchasing that past service rights.

d. The eligible person will then be required to confirm to the appropriate fire and rescue authority, **within 6 months** of receiving this information, that they wish to take up membership of the scheme and pay the required historic contributions – they will also be required to elect the date that they wish their special service to begin (the 'mandatory special period') and, if they wish to, to elect to transfer in any 1992 scheme benefits into their special membership at this time.

In terms of the funding implications of the Settlement the Government has reiterated its policy that pensions for unfunded public service pension schemes should be paid by employers and employees, and handled through periodic scheme valuations. The Department has therefore concluded that any costs in relation to the Settlement do not constitute a 'new burden' as set out in the Department's New Burden's doctrine.

This means that the Authority needs to make an assessment of the likely costs to fall on the revenue account as a result of the Settlement and ensure adequate funding is provided in its year-end accounts. Given that it will take up to twelve months to complete the options process, it is not possible at this time to give a precise figure in terms of the liability to fall on the Authority. The Authority has prudently however set up a Provision from previous years underspends.

Clearly there is a risk that the revised balance on this Provision of £2.083m will prove not to be sufficient to meet the actual pension liabilities when incurred. In such circumstance the Authority will need to consider how any shortfall is to be funded but in any event ensure that sufficient overall reserve balances are available.

PFI Equalisation Fund (£0.295m) – Under a joint PFI venture, Gloucestershire County Council (25%), Avon Fire & Rescue Service (50%) and Devon & Somerset Fire & Rescue Service (25%) receive a significant element of their training from Babcock International Group PLC, a Ltd company contracted to provide the training until 31 March 2028. The training is supplied at the Joint Fire Training Centre, Avonmouth, a facility that the service provider designed, built, financed and now operates under the PFI contract.

Under the financing arrangements each Authority pays an annual sum into what is called the Equalisation Fund which is managed by Gloucestershire County Council. Periodic reviews of the Fund are made to ensure that the annual sums made by each party will be sufficient to meet total liabilities to the end of the contract in 2028. The most recent review had identified a forecast potential shortfall on the Fund of £1.180m, representing a forecast liability to DSFRS (25%) of £0.295m. This shortfall has been caused by the economic downturn since 2008 and the detrimental impact on investment returns. An external audit report carried out in 2013 raised concerns that the three parties had not adequately addressed this forecast shortfall within its accounts and that each party should consider a planned action to address this issue.

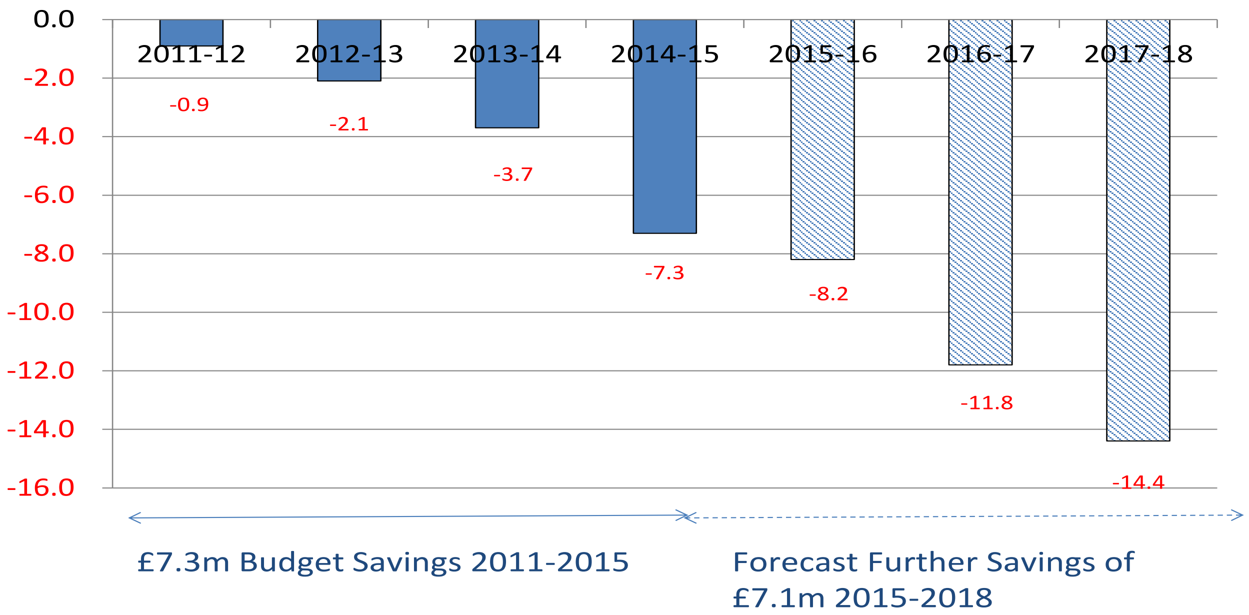
A Provision of £0.295m has therefore been set aside to meet this forecast shortfall. This Provision will be subject to an annual review to consider its adequacy in light of future reviews of the Fund.

13. IMPACT TO MEDIUM TERM FINANCIAL PLANNNING

13.1 The Authority has previously been informed of the difficult financial climate currently being faced by local authorities as a result of significant reductions in government funding. The most recent Local Government Grant Settlement in December 2013 confirmed that DSFRA funding would reduce by £2.7m in 2014-15, and also provided an illustrative settlement figure for 2015-16 which indicates that our funding will be further reduced by £2.7m in 2015-16 (subject to Local Government Finance Settlement in December 2014). This would mean that the Authority would have suffered total reductions of £8.6m over the three years to 2015-16. Looking beyond 2015-16, the Chancellors' Autumn Statement in December 2012 confirmed that the austerity measures to reduce the structural deficit will need to continue until at least 2017-18. This means that the Medium Term Financial Plan (MTFP) needs to be planning for further significant reductions beyond 2015-16.

13.2 So far, the Authority has responded well, since 2011 a total of £7.3m of recurring efficiency savings have been identified and used to enable balanced budgets to have been set, including an amount of £3.6m in setting the budget for 2014-15 in February 2014. However the MTFP forecasts that a further £7.1m of on-going savings will be required over the next three years to 2017-18. Chart 1 below provides a summary of savings delivered to date (2014-15) and forecast savings required over the next three years to 2015-16 to 2017-18.

CHART 1 – SUMMARY OF SAVINGS (CUMULATIVE) 2011 TO 2018 - £MILLIONS



13.3 The Corporate Plan for 2013-14 to 2014-15 was approved by the Authority at its meeting on 10 July 2013. The Plan includes a range of proposals which when fully implemented will deliver total on-going savings of £6.8m. Of this an amount of £3.6m has been already utilised in setting the 2014-15 budget, leaving a further £3.2m of Corporate Plan proposals to contribute to further savings targets beyond 2014-15.

13.4 The underspend of £2.649m achieved in the previous financial year 2013-14 is of course most welcome and is as a result of our strategy to deliver in year savings to be available to increase Reserve balances. However, it is of course, a one-off saving and therefore can only be used once, so is not able to provide a sustainable solution to the forecast budget shortfall. Members may recall that in setting a balanced budget for the current financial year 2014-15, in February 2014, an amount of £3.6m was taken out of the base budget to reflect the delivery of on-going budget savings.

13.5 The recommendation in this report, to provide a one-off contribution to capital spending of £2.349m, will reduce future debt charges by £0.245m from 2015-16 therefore contributing to our future savings targets.

14. SUMMARY OF REVENUE SPENDING

14.1 Members will be well aware from budget monitoring reports considered during the financial year of the strategy adopted to seek in-year savings wherever possible which can be transferred at year end to the Authority Reserve balances. It is pleasing therefore that this strategy has resulted in a final underspend position of £2.649m requiring a Member decision as to how this one-off amount is to be best utilised.

14.2 This report makes proposals as to how this underspend can be utilised, following consideration of the outturn position by Resources Committee at its meeting on the 16 May 2014. The Authority is asked to approve these recommendations.

15. SECTION 2 – CAPITAL OUTTURN 2013-14

15.1 The capital programme for 2013-14 was originally set at £4.998m at the budget setting meeting held on the 18 February 2013. This programme figure has increased during the financial year to £6.798m, predominantly as a result of slippage in spending from the previous year, but also as a result of new capital spending items to be funded from grant income or revenue contributions. As has been reported to the Committee during the year whilst these changes represent an increase in the 2013-14 programme they do not represent in the previously agreed borrowing requirement.

15.2 Table 3 below provides a summary of the provisional outturn position against the agreed 2013-2014 capital programme. Against a final capital programme of £6.798m, capital spending in year was £3.853m, with £2.822m of slippage in to 2014-15 and net savings of £0.123m.

TABLE 3 – SUMMARY OF CAPITAL SPENDING IN 2013-14

Capital Programme 2013/14							
					Variation to budget		
Item	PROJECT	2013/14 £000 Budget	2013/14 £000 Outturn	2013/14 £000 Variation to budget	Slippage £000	Savings £000	variation £000
	Estate Development						
1	SHQ major building works	79	21	(58)	58	-	58
2	Major Projects - Training Facility at Exeter Airport	1,544	1,247	(297)	320	(23)	297
3	Minor improvements & structural maintenance	300	33	(267)	262	5	267
4	USAR works	255	187	(68)	68	-	68
5	Minor Works slippage from earlier years	988	570	(419)	418	18	436
6	Projects funded from Revenue	108	96	(12)	12	-	12
	Estates Sub Total	**3,274**	**2,136**	(1,138)	**1,138**	**0**	**1,138**
	Fleet & Equipment						
7	Appliance Replacement - Slippage from 12/13	337	127	(210)	177	33	210
8	Specialist Ops Vehicles - Slippage from 12/13	1,531	717	(814)	741	73	814
9	Equipment - Slippage from 12/13	181	113	(68)	51	17	68
10	Vehicles funded from Revenue	60	60	-	-	-	-
11	Appliance Replacement	1,015	613	(402)	402	-	402
12	Equipment	300	87	(213)	213	-	213
13	USAR Vehicles	100	-	(100)	100	-	100
	Fleet & Equipment Sub Total	**3,524**	**1,717**	**(1,807)**	**1,684**	**123**	**1,807**
	Overall Capital Totals	**6,798**	**3,853**	(2,945)	**2,822**	**123**	**2,945**
	Programme funding						
	Main programme	1,596	-	(1,596)	-	-	-
	Revenue funds	3,407	2,225	(1,182)	2,655	123	2,778
	Earmarked Reserves	355	188	(167)	167	-	167
	Grants	1,440	1,440	-	-	-	-
		6,798	**3,853**	**(2,945)**	**2,822**	**123**	**2,945**

Slippage in Capital Spending 2013-14

15.3 This Authority has a three rolling capital programme, reviewed annually. This reflects changes in circumstances within individual projects and slippage that will occur from time to time. This has particularly been the case in relation to the appliance replacement programme which has suffered from delays in delivery of chassis resulting from strike action within the supplier company. Those projects that have slipped into 2014-15 have been reassessed and a further £0.123m saved as a consequence by only taking forward those projects already committed.

16. FINANCING THE 2013-14 CAPITAL PROGRAMME

16.1 Table 4 below provides an analysis of how the 2013-14 capital spending of £3.853m is to be financed.

TABLE 4 – SUMMARY OF CAPITAL FINANCING IN 2013-14

	Actual Financing Required £m
External Borrowing	**0.00**
Other Financing Sources	
Revenue Contribution to Capital Spending	
Contribution from Earmarked Reserves	2.078
Purchase of ICT building at SHQ	0.043
Axminster Station rebuild	0.037
Purchase of Telehandler Unit	0.038
Community Safety vehicles and garaging	0.029
Urban Search and Rescue (USAR) lecture building and associated works.	0.188
Sub Total – Direct Revenue Funding/Earmarked Reserve	**2.413**
Capital/Revenue Grants CLG Grant to support capital spending	1.398
Environment Agency to support purchase of specialist environment protection pods	0.042
Sub Total - Capital/Revenue Grants	**1.440**
Total Financing	**3.853**

Borrowing

16.2 The amount of external borrowing at the beginning of the financial year stood at £27.167m. No new borrowing was taken out during the year and an amount of £0.953m has been repaid, resulting in an overall reduction of external borrowing to £26.214m as at 31 March 2014. This level of borrowing is well below the agreed maximum borrowing figure of £32.770m allowed under the Prudential Code.

17. DRAFT PRUDENTIAL INDICATORS

17.1 The prudential indicators at this time can only be regarded as provisional subject to the completion of the Statement of Accounts and resultant audit scrutiny.

Capital Expenditure

17.2 This prudential indicator reports actual capital spending for the year against the approved programme. Spending has proved to be £2.945m less than anticipated predominantly as a consequence of delays on progressing capital projects.

Approved Indicator	£6.798m
Actual Expenditure	£3.853m
Variance	(£2.945)m

Capital Financing Requirement (CFR) – External Borrowing

17.3 The CFR reflects the underlying need to borrow for capital purposes. Given that spending is £2.9m less than programmed, the need to borrow to fund capital spending has also reduced.

Approved CFR	£25.978m
Revised CFR	
(Based on actual spending)	£24.382m
Variance	(£1.596)m

17.4 As is reported in paragraph 16.2 actual levels of external borrowing was £26.214m as at 31 March 2014. Whilst this level exceeds the revised CFR figure of £24.382m, which reflects that borrowing of £1.832m has been taken out in advance of spending, this does not represent a breach of prudential indicators as borrowing is permitted up to what is called the Authorised Limit i.e. £32.770m (see para 17.6 below).

Capital Financing Requirement (CFR) – Other Long Term Liabilities

17.5 This CFR reports long term financing liabilities other than external borrowing, e.g. Private Finance Initiative (PFI) and Finance Leases, which under accounting rules are required to be reported alongside traditional borrowing liabilities.

Approved CFR	£1.532m
Actual CFR	£1.532m
Variance	(£0.000) m

Authorised Limit and the Operational Boundary for External Debt

17.6 Actual external debt as at 31 March 2014 was £26.214m. This is within the authorised limit (absolute maximum borrowing approval) and operational boundary of £32.770m and £31.472m respectively, and therefore neither was breached.

Ratio of Financing Cost to Net Revenue Stream

17.7 This ratio aims to show the percentage of revenue resources which are applied to financing debt. The Authority's estimate was that 3.85% would be applied and the actual figure is 0.10 base points (bp) below that estimate.

Capital Financing Costs	£3.056m
Interest on investments	(£0.173) m
Net Financing Costs	£2.883m
Net Revenue Stream	£76.784m
Percentage	3.75%
Estimated	3.85%
Variance	(0.10) bp

18. DETERMINATION OF CAPITAL FINANCE

18.1 The Authority is required to determine its use of capital finance as defined by capital control legislation. The following use of capital finance resources is proposed;

- That an amount of £1.440m is capitalised and funded from external grant.
- That an amount of £2.413m is capitalised and funded from revenue contributions to capital spending, either directly from the 2013-14 revenue budget or from balances in Earmarked Reserves.

KEVIN WOODWARD
Treasurer

SUBJECTIVE ANALYSIS OF REVENUE SPENDING

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY
Provisional Revenue Outturn Statement 2013-14

Line No	SPENDING	2013/14 Budget £000 (1)	Month 12 Outturn £000 (2)	Variance over/ (under) £000 (3)
	EMPLOYEE COSTS			
1	Wholetime uniform staff	31,999	31,960	(39)
2	Retained firefighters	11,768	11,362	(406)
3	Control room staff	1,637	1,506	(131)
4	Non uniformed staff	10,974	9,974	(1,000)
5	Training expenses	1,386	1,022	(364)
6	Fire Service Pensions recharge	2,058	2,442	384
		59,822	**58,266**	**(1,556)**
	PREMISES RELATED COSTS			
7	Repair and maintenance	1,151	997	(154)
8	Energy costs	618	589	(29)
9	Cleaning costs	444	406	(38)
10	Rent and rates	1,494	1,565	71
		3,707	**3,557**	**(150)**
	TRANSPORT RELATED COSTS			
11	Repair and maintenance	634	594	(40)
12	Running costs and insurances	1,408	1,418	10
13	Travel and subsistence	1,683	1,530	(153)
		3,725	**3,542**	**(183)**
	SUPPLIES AND SERVICES			
14	Equipment and furniture	2,612	2,298	(314)
15	Supplies Internal Recharges	0	17	17
16	Hydrants-installation and maintenance	111	113	2
17	Communications	2,013	1,953	(60)
18	Uniforms	1,283	549	(734)
19	Catering	139	174	35
20	External Fees and Services	331	208	(123)
21	Partnerships & regional collaborative projects	125	99	(26)
		6,614	**5,411**	**(1,203)**
	ESTABLISHMENT COSTS			
22	Printing, stationery and office expenses	397	314	(83)
23	Advertising	46	14	(32)
24	Insurances	366	368	2
		809	**696**	**(113)**
	PAYMENTS TO OTHER AUTHORITIES			
25	Support service contracts	561	1,018	457
		561	**1,018**	**457**
	CAPITAL FINANCING COSTS			
26	Capital charges	4,563	4,233	(330)
27	Revenue Contribution to Capital spending	167	146	(21)
		4,730	**4,379**	**(351)**
28	**TOTAL SPENDING**	**79,968**	**76,868**	**(3,100)**
	INCOME			
29	Treasury management investment income	(100)	(173)	(73)
30	Grants and Reimbursements	(1,981)	(3,154)	(1,173)
31	Other income	(940)	(966)	(26)
32	Internal Recharges	(163)	(141)	22
33	**TOTAL INCOME**	**(3,184)**	**(4,434)**	**(1,250)**
34	**NET SPENDING**	**76,784**	**72,434**	**(4,350)**
	TRANSFERS TO EARMARKED RESERVES			
35	Community Safety Prevention	-	450	450
36	Carry Forwards to 2014-15	-	937	937
37	Grants Unapplied	-	314	314
38		**-**	**1,701**	**1,701**
39	**NET SPENDING**	**76,784**	**74,135**	**(2,649)**

APPENDIX B TO REPORT DSFRA/14/10

SUMMARY OF RESERVES AND BALANCES AS AT 31 MARCH 2014

RESERVES AND PROVISIONS					
RESERVES	**Balance as at 1 April 2013 £000**	**Proposed Transfers £000**	**Spend 2013-14 £000**	**Balance as at 31 March 2014 £000**	
Earmarked reserves					
Grants unapplied in 2010-11	(2,251)	-	300	(1,951)	
Grants unapplied in 2011-12	(139)	-	80	(59)	
Grants unapplied in 2013-14	-	(314)	-	(314)	
Change & improvement programme	(511)	(228)	-	(739)	
Commercial Services	(252)	-	41	(211)	
Direct Funding to Capital	(3,877)	(2,349)	2,078	(4,148)	
CSR 2010	(3,389) *	-	-	(3,389)	
2012-13 Budget Carry Forwards	(150)	-	48	(102)	
2013-14 Budget Carry Forwards	-	(709)		(709)	
Essential Spending Pressures	(103)	(300)	-	(403)	
Community Safety Investment	-	(450)	45	(405)	
Total earmarked reserves	**(10,672)**	**(4,350)**	**2,593**	**(12,429)**	
General reserve					
General fund balance	**(5,191)**			**(5,191)**	
Percentage of general reserve compared to net budget					-6.76%
TOTAL RESERVE BALANCES	**(15,863)**			**(17,620)**	
PROVISIONS					
Fire fighters pension schemes	(1,624)	(481)	22	(2,083)	
PFI Equalisation	0	(295)	-	(295)	
TOTAL PROVISIONS	**(1,624)**	**(776)**	**22**	**(2,378)**	