

REPORT REFERENCE NO.	DSFRA/15/12
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (ORDINARY MEETING)
DATE OF MEETING	28 MAY 2015
SUBJECT OF REPORT	PROVISIONAL FINANCIAL OUTTURN 2014-15
LEAD OFFICER	Treasurer
RECOMMENDATIONS	<p>(a) That the Authority approves:</p> <p>(i) Use of the provisional underspend of £2.051m against the 2014-15 revenue budget to fund the following transfers to Earmarked Reserves, as outlined in paragraph 10.1 of this report:</p> <p style="padding-left: 40px;">A. transfer of £0.506m to an Earmarked Reserve to fund Essential Spending Pressures not included in the 2015-16 base budget (Para 10.1(d));</p> <p style="padding-left: 40px;">B. transfer of the remaining £1.545m to the Comprehensive Spending Review (CSR) Reserve (Para 10.1(f));</p> <p>(ii) The reversal of £1.525m from the Provision originally set aside to fund the potential liability for Retained Pension Costs emanating from the Employment Tribunal relating to Part-Time Workers and the transfer of this sum to a new Earmarked Reserve for Retained Pension Liability (Para 10.1(h));</p> <p>(iii) That, following a review of Earmarked Reserve requirements, an amount of £0.079m be transferred from Earmarked Reserves to General Reserve (Para. 10.1i)</p> <p>(b) that the capital determinations in relation to funding of the 2014-15 capital programme, as set out in paragraph 17.1 of this report, be approved;</p> <p>(c) That, subject to (a) and (b) above, the following be noted:</p> <p>(i) The draft position in respect of the 2014-15 Revenue and Capital Outturn position, as indicated in this report.</p> <p>(ii) That the underspend figure of £2.051m is after;</p> <p style="padding-left: 40px;">A. A transfer of £0.202m to the Grants Unapplied Reserve, as required under International Financial Reporting Standards (IFRS) relating to grants received during the financial year but not utilised (Para.10.1a)</p>

	<p>B. A transfer of £0.500m to Earmarked Reserves for 2014-15 Budget Carry Forwards to fund planned projects not completed by 31 March 2015 (Para. 10.1b and 10.1c)</p> <p>C. A transfer of £1.088m revenue underspend on Capital to Earmarked Reserve (Para. 10.1e)</p> <p>D. Additional provisions relating to pensions liabilities of £0.228m (Para 10.1j)</p>
EXECUTIVE SUMMARY	<p>This report provides the financial outturn position for 2014-15 for both revenue and capital spending and makes recommendations as to how the underspend against the revenue budget of £2.051m may be utilised.</p> <p>This significant saving is largely attributable to the continued implementation of the Corporate Plan changes agreed in July 2013, together with a strategy to work with budget holders to identify in-year savings against budget heads. Members will recall that in setting a revenue budget for 2015-16, at the February budget meeting, an amount of £2.3m was taken from the base budget to reflect further on-going budget savings.</p> <p>There is also an accounting adjustment that is required now that there is more clarity on how the pension liability (relating to Part Time Workers regulations) is to be recovered. This liability will be met from increased employer's pension contributions, via actuarial valuations of the pension schemes, which means that there is no longer a requirement to provide for these sums by way of a Provision. It is therefore necessary to make an accounting entry to release the provision of £1.525m back to the revenue account. However, in order to ensure that this sum continues to be ring fenced for its original purpose, it is proposed that this funding is transferred to a new reserve for Pension Liabilities to offset the impact from increased pension contributions in future years.</p> <p>The figures included in this report are provisional at this stage, subject to external audit of the Accounts during August 2015.</p>
RESOURCE IMPLICATIONS	As indicated in the report
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	The contents of this report are considered compatible with existing equalities and human rights legislation.
APPENDICES	<p>A. Provisional Revenue Outturn Position 2014-2015.</p> <p>B. Summary of Reserve and Provision Balances at 31 March 2015</p>
LIST OF BACKGROUND PAPERS	Draft Financial Outturn 2014/15 Report to Resources Committee 14 May 2015 (RC/15/6)

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 2014-15, 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 2015-16 revenue budget for the Authority in February 2015, consideration of the Medium Term Financial Plan (MTFP), recognised that further recurring savings will be required over the next three years to 2018-19, over above the savings already agreed by the Corporate Plan proposals in July 2013. Further details of savings requirements, forecast within the MTFP targets, are included in paragraph 12 of this report.
- 1.3 Mindful of this difficult outlook the strategy adopted during the last financial year 2014-15 was to secure as much in-year savings as possible with a view to adding to Authority Reserve balances. Budget monitoring reports submitted to meetings of the Resources Committee during the financial year have identified that adoption of this strategy was anticipated to deliver savings against the 2014-15 budget (previous forecast at Quarter 3 was for a saving of £1.130m). The provisional outturn figure for 2014-15, now included in this report, is for an underspend of £2.051m, equivalent to 2.71% of total budget.
- 1.4 This 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. This is, however, a one-off saving and can therefore be used only once. It is not a sustainable solution to our forecast budget shortfalls. Members will recall that in setting a balanced budget for the current financial year, 2015-16, in February 2015, an amount of £2.3m has already been taken from the base budget to reflect on-going revenue savings.
- 1.5 An earlier version of this report – RC/15/6 - was considered by the Resources Committee at its meeting held on 14 May 2015. While the figures in this report vary slightly from those reported to the Resources Committee, the Committee resolved to recommend that the Authority approve the transfer of underspend to ear-marked reserves as recommended in this report (Minute RC/24 refers).

2. SECTION 1 – REVENUE OUTTURN 2014-15

- 2.1 Total revenue spending in 2014-15 was £73.743m, compared to an agreed budget of £75.794m, resulting in an underspend of £2.051m, equivalent to 2.71% 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 2014-15

	£m	£m	£m
Approved Budget			75.794
Gross Spending (Appendix A Line 28)	72.425		
Gross Income (Appendix A Line 33)	-4.142		
Net Spending		68.283	
<u>PLUS Transfers to Earmarked Reserves</u>			
- Grants Unapplied (Appendix A Line 35)	0.231		
- Budget Carry forward for Change & Improvement (Appendix A Line 36)	0.399		
- 2014-2015 Carry Forwards (Appendix A Line 37)	0.717		
- Capital Funding (Appendix A Line 38)	2.588		
- Pension Liability Reserve (Appendix A Line 39)	1.525		
Total Transfer to Earmarked Reserves (Appendix A Line 38)		5.460	
TOTAL NET SPENDING			73.743
NET UNDERSPEND			-2.051

- 2.2 These figures are based upon the spending position at the end of March 2015 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 This significant saving is largely attributable to the continued implementation of the Corporate Plan changes agreed in July 2013, together with a strategy to work with budget holders to identify in-year savings against budget heads. In setting a revenue budget for 2015-16, at the February budget meeting, an amount of £2.3m was taken from the base budget to reflect further on-going budget savings.
- 2.4 In addition all budget managers have been tasked by the Chief Fire Officer and Executive Board to control in-year spending from non-operational budget heads and managers have responded accordingly. These in-year savings form a significant contribution to the £2.051m underspend against the current year revenue budget.
- 2.5 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 9.

3. EMPLOYEE COSTS

Wholetime Staff

- 3.1 Spending on wholetime pay was £28.807m against budget of £29.349m, an under spend of £0.541m due to in year savings as a result of the implementation of the 2014 Corporate Plan and deductions for periods of Industrial Action.
- 3.2 This position includes a provision of £0.085m for future pension liabilities which may arise on allowances following legislation and is intended to supplement the provision made in the 2013/14 accounts.

Retained Pay Costs

- 3.3 Spend for the 2014-15 year was £0.035m over budget due to Industrial Action cover being funded from the retained budget line. This figure has now been adjusted by £1.525m to reflect the reversal of a provision made in previous financial years against the potential pension costs for Part Time workers and so the net position is for an underspend of £1.490m.
- 3.4 The Authority had previously set aside an amount of £2m in a ring-fenced provision to fund future pension liabilities, including the liability from the Employment Tribunal. All employees eligible for the backdated pension were notified and – if they submitted an expression of interest – were supplied with an estimate of their pension. The individuals who opted in to the Modified pension scheme have now been enrolled.
- 3.5 The Department for Communities and Local Government (CLG) has now confirmed that any future liabilities arising from this will be met through employer's pension contributions by using pension valuations in future years, rather than repaid as a lump sum as originally anticipated. Consequently, it is anticipated that the rate at which the Authority contributes towards pensions will increase in future years. As £1.525m of the original Provision is no longer needed to repay immediate lump sums, it is proposed that the reversal be transferred to an Earmarked Reserve to fund future pension liabilities, as detailed in Paragraph 10.1 (h).

Non Uniformed Pay

- 3.6 Non uniformed pay is showing an over spend of £0.152m, of which an amount of £0.103m is as a result of increased Community Safety Advocate activity. In setting the budget for the current year this budget line has already been reduced by over £1m as a result of management action taken to reduce the number of support staff by 41.

Training Expenses

- 3.7 Training expenses are £0.803m against budget of £0.986m due to fewer external courses being run in 2014/15. There have also been savings made due to the decision review promotional training and assessment.

Fire Service Pensions Recharge

- 3.8 The outturn position of £0.105m over budget includes a provision of £0.143m for backdated Injury payments.
- 3.9 As a result of national issues regarding the accounting treatment of injury pensions, specifically whether they are funded by Fire Authority pensions or CLG, a full review has been made of backdated pension cases. This Authority has two cases where the treatment will need to be modified, resulting in an additional liability of £0.143m. As the mechanism for repayment of the liability to CLG has still to be agreed, it is recommended that a provision is made from the revenue budget. This charge to the accounts is reflected in Appendix A.

4. PREMISES RELATED COSTS

Repair and Maintenance

- 4.1 Savings against budget of £0.056m for Repair and Maintenance are due to a number of planned projects which were incomplete due to staffing vacancies in the Estates Department.

Energy Costs

- 4.2 Energy costs savings of £0.072m are due to weather variations and utility price inflation being lower than budgeted.

Cleaning Costs

- 4.3 Savings of £0.061m have been made on cleaning costs in 2014-15 due to a change of contract and cleaning arrangements following a procurement exercise.

5. TRANSPORT RELATED COSTS

Repair and Maintenance

- 5.1 Fleet maintenance costs were £0.097m under budget as a result of a reduction in the volume of repairs and the positive impact of the introduction of Light Response Pump (LRP) on maintenance costs.

Running costs and Insurances

- 5.2 Savings of £0.059m have been made against this budget line as a result of reduced fuel prices.

Travel and Subsistence

- 5.3 Travel and Subsistence costs were £1.448m against a budget of £1.524m. The under spend of £0.076m is largely due to significant savings on mileage claims for both uniformed and non-uniformed staff as a consequence of a reduction in travelling levels.

6. SUPPLIES AND SERVICES

Equipment and Furniture

- 6.1 Spend on Equipment and Furniture was £2.470m against a budget of £2.544m. The underspend of £0.073m is after a £0.236m procurement of smoke alarms for distribution to private landlords, which was funded by a government grant as detailed below in paragraph 9.3. Without the procurement, the under spend would have been £0.309m on this budget line primarily because of delayed payments to a contractor in relation to an essential IT system project.

Communications

- 6.2 There was an under spend of £0.221m on communications. This is mainly due to significant savings on the Airwave contract which is negotiated at a national level, although the saving is partially offset by a reduction of £0.060m in the reimbursement due from CLG.

Uniforms

- 6.3 As previously reported, this budget line included provision for the delivery of a major project in relation to the roll-out of the agreed replacement Personal Protective Equipment (PPE) of £0.546m which was transferred to an Earmarked reserve in year. In addition to this, savings of £0.121m have been made against this budget line as a result of improved stock handling and fewer staff.

7. ESTABLISHMENT COSTS

Printing, Stationery and Office Expenses

- 7.1 Printing, Stationery and Office Expenses are £0.084m lower than budgeted. Following a review of printer contracts completed in 2013 savings have been better than expected. In addition savings have also been made as a result of less reliance on external bodies to conduct consultation processes.

Insurances

- 7.2 Savings of £0.075m against the budget for Establishment Insurances have been possible due to an insurance pooling arrangement with other FRSs.

8. CAPITAL FINANCING COSTS

Capital charges

- 8.1 Spending on Capital Charges is £3.830m representing a saving of £0.521m. This is primarily as a consequence of slippage in capital spending in 2013-14 and 2014-15, resulting in a reduction in debt charges, along with a reduction to lease charges.

Revenue contribution to Capital Spending

- 8.2 As a result of slippage to the capital programme in 2014-15, there will be an under spend of £1.088m against this budget line. This amount is required to be transferred in to the Direct Funding to Capital Reserve to be used against ongoing projects.

9. INCOME

Treasury Management Income

- 9.1 As a result of slippage on the Capital Programme cash balances have been higher than anticipated which along with stronger yields has meant that investment income for the year was £0.186m, £0.086m better than budgeted.

Grants and Re-imbursements

- 9.2 The outturn position for Grant income is £0.418m greater than budgeted which is due to CLG Funding for smoke alarms and NNDR Business Rates Relief income from central government.
- 9.3 New legislation to apply from October 2015 will require increased provision of smoke alarms in private rental properties. As a result the CLG has awarded grants to Fire Services at a national level to provide alarms free of charge to landlords. The Service was in a position to purchase on behalf of three other FRSs against an existing procurement contract and therefore secured £0.241m of this funding. The smoke alarms have been purchased and will be distributed to each service according to Chief Fire Officers Association (CFOA) allocation.
- 9.4 *Surplus income has increased by £62k since reported to Resources committee, an amount which relates to Business Rates Relief income received from central government in excess of that budgeted. It is therefore recommended that this amount be transferred to the Grants unapplied Earmarked Reserve and as such has no effect on the net underspend position.*

Other Income

- 9.5 Income targets from this budget head have been exceeded by £0.337m, of which £0.091m relates to overachievement against commercial income targets. The remainder primarily relates to unbudgeted income from a seconded officer to another local authority, vehicle sales and successful recovery of court costs relating to investigations pursued by the Risk and Insurance Team.
- 9.6 Included is also additional income of £0.031m relating to successful recovery of monies due from Brown's Coachworks, who went entered administration in 2013/14.

10. CONTRIBUTION TO EARMARKED RESERVES

10.1 A summary of predicted balances on Reserves and Provisions is shown in Appendix B to this report. These figures include those proposed transfers to Earmarked Reserves and provision outlined in this report and referenced in Appendix B which are recommended for approval:

a. **Grants Unapplied (£0.202m)** - under IFRS accounting arrangements, any unused grants at the year-end, which are not subject to repayment, are to be identified and carried forward to 2015-16. An analysis of such grants is shown in the table below.

Please note that this figure has increased since reported to Resources committee due to the inclusion of £0.062m for Business Rates Relief as shown below:

Grant Received From	£m	Purpose of Grant
Department of Communities and Local Government (CLG)	0.092	To fund Urban Search and Rescue (USAR) activities.
Plymouth Community Homes	0.010	To address Antisocial behaviour in Western Command
Insure the Box (£15k) and Devon County Council (£20k)	0.035	Learn to Live programme
Department of Communities and Local Government (CLG)	0.004	Balance of funding from Smoke Alarms for Procurement
Department of Communities and Local Government (CLG)	0.062	Business Rates Relief Section 31 Grant
NET TRANSFER	0.202	

The Authority has already approved the transfer of £0.029m to Reserves relating to USAR as part of the budget for 2014/15. In addition to these transfers, a recent review of historic Reserve balances has meant that a figure of £79k is no longer required for Breathing Apparatus (BA) Cylinder Valves and therefore can be returned to the General Fund. The net effect of these changes is for a transfer of £152k.

b. **2014-15 Budget Carry forwards for Change and Improvement Programme (£0.399m)** - A number of committed projects planned to be delivered by the end of March 2015 have not been completed and therefore budget carry forwards are required to enable the completion of those projects in 2015-16. These include Training Records, Procurement Technology, Financial Information System and Systems review.

c. **Budget Carry Forwards (£0.101m)** - In addition to the £0.070m and the £0.546m for PPE already approved in year, budget carry forwards for revenue items are requested for items where budget was provided in 2014/15 but the purchase or procurement was delayed beyond 31 March 2015. These are identified as follows:

Description	£m
Purchase of station Alerters	0.021
Committee Management Software	0.023
Mosaic Software Licencing	0.038
Equipment for Rapid Intervention Unit Pilot	0.019
TOTAL TRANSFER	0.101

d. **Essential Spending Pressures (£0.506m)** - It is recommended that the Authority be minded to approve the following spending pressures which have not been provided for in the 2015/16 budget:

Type	£m	Description
Red One Income	0.091	Contribution to service expenses from Red One to be invested in Capital as previously agreed by the Authority in principle
Underspend to Capital	0.084	Containers to support training at the Exeter Airport site
Underspend to Capital	0.031	Brake Testing equipment for vehicle maintenance
Revenue Underspend	0.300	Invest-to-Save funding to support the planning and scoping of Estates rationalisation and industry led improvements.
TOTAL TRANSFER	0.506	

e. **Direct funding to Capital (£1.294m)** - In addition to the £0.206m of new projects Identified above, an amount of £1.088m relating to the underspend against revenue contributions to capital, as reported in paragraph 8.2 of this report, requires a budget carry forward transfer to fund capital commitments in 2015-16. This is in addition to the £1.5m revenue contribution towards capital to be funded from the 2014-15 revenue underspend, as agreed at the meeting of Resources Committee held on 20 November 2014.

f. **Comprehensive Spending Review Reserve (£1.545m)** – The CSR Reserve has been established to provide additional financial contingency during the period of austerity. Given that government austerity measures are expected to continue until at least 2017-18 and the risk that budget savings required will exceed those savings targets included in the Medium Term Financial Plan, it is recommended that the Authority approve the remaining underspend of £1.545m be transferred to this Reserve in order to further protect the service budget from future austerity measures.

As well as providing this additional contingency, given the ongoing need to implement staff reductions arising from the changes within the Corporate Plan, this Reserve will be utilised over the period of austerity measures to fund the necessary changes to staffing models, including voluntary and/or compulsory redundancy costs, where required.

g. **Uniform and Personal Protective Equipment (PPE)** - Members have already approved a transfer of £0.546m for a replacement PPE project

h. **Pension Liability Reserve (£1.525m)** - As detailed in Paragraph 3.5 above, there is now more clarity on how the pension liability is to be recovered. Given that the liabilities relating to Part Time Workers regulations will be recouped from authorities via actuarial valuations of the pension schemes, there is no longer a requirement to provide for these sums by way of a Provision. It is therefore necessary to make an accounting entry to release the provision of £1.525m back to the revenue account as shown in Table 2 under Retained Staffing costs. However, in order to ensure that this sum continues to be ring fenced for its original purpose it is proposed that this funding is transferred to a new reserve for Pension Liabilities in order to protect service budgets from increased pension contributions in future years.

i. **General Fund Balance (£0.079m)** - It has been identified that the balance of £0.079m on the Earmarked Reserve for Breathing Apparatus (BA) Cylinders and Valve replacements is no longer required and therefore this can be returned to the General fund for alternative use.

j. **Provision for Firefighters pension schemes** - As detailed elsewhere in this report, it is necessary to release some of the Provision made for pension liabilities for Part Time Workers. Further enhancements are recommended as follows.

11. PROPOSALS FOR UTILISATION OF THE UNDERSPEND

11.1 The provisional outturn position was considered by the Resources Committee at its meeting on 14 May 2015. The Committee resolved to recommend to the Authority that the underspend figure of £2.051m be used to fund two further transfers into Earmarked Reserves, as detailed in Paragraph 10:

(a) **Essential Spending Pressures 2015-16 (£0.506m)**

(b) **Transfer to Comprehensive Spending Review Reserve (£1.545m)**

11.2 A summary position of Reserves and Provisions as at 31 March 2015, including the recommendations included in this report, is included as Appendix B to this report.

Provisions

11.3 Included in Appendix B is a summary of the Provision balances as at 31 March 2015. 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 £0.228m should be set aside in Provisions and that £1.525m of the existing provision should be transferred to an Earmarked Reserve. This results in net movement of -£1.297m therefore reducing the balance as at 31 March 2015 to £0.784m. The additional £0.228m relates to two items:

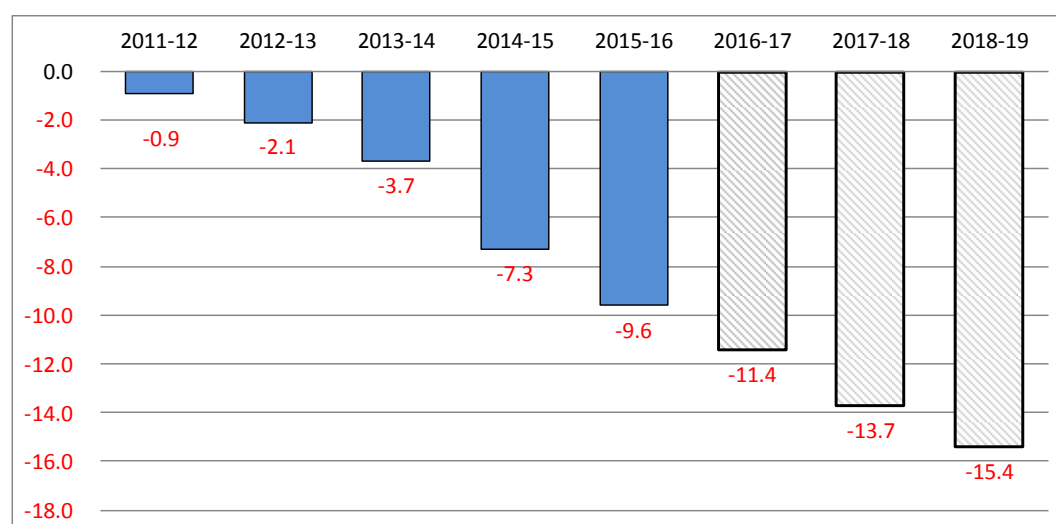
Description	£m
Pensionable allowances 2014/15 element (Para 3.2)	0.085
Monies due to DCLG for injury pensions (Para 3.8)	0.143
Release of Provision to Revenue Account (Para 3.5)	-1.525
NET TRANSFER	-1.297

12. IMPACT ON MEDIUM TERM FINANCIAL PLANNING

12.1 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 2014 confirmed that DSFRA funding would reduce by £2.9m in 2015-16, but did not provide any indication of the settlement figure for future years. This means that the Authority has suffered total reductions of £8.7m over the three years to 2015-16. Looking beyond 2015-16, the Chancellors' Autumn Statement in December 2014 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.

12.2 So far, the Authority has responded well, since 2011 a total of £9.6m of recurring efficiency savings have been identified and used to enable balanced budgets to have been set, including an amount of £2.3m in setting the budget for 2015-16. However the MTFP forecasts that a further £5.8m of on-going savings will be required over the next three years to 2018-19. Chart 1 overleaf provides a summary of savings delivered to date (2015-16) and forecast savings required over the next three years 2016-17 to 2018-19.

CHART 1 – SUMMARY OF SAVINGS (CUMULATIVE) 2011 - 2019 - £15.4 MILLIONS



←—————→ Forecast Further Savings of £5.8m 2016-2019

£9.6m Budget Savings 2011-2016

- 12.3 The Corporate Plan for 2013-14 to 2014-15 was approved by the Authority at its meeting on 10 July 2013. The Plan included a range of proposals which when fully implemented will deliver total on-going savings of £6.8m.
- 12.4 The underspend of £2.051m achieved in the previous financial year 2014-15 is of course most welcome and is as a result of the strategy to deliver in-year savings to be available to increase Reserve balances. It is, though, a one-off saving and can be used only once, so it does not provide a sustainable solution to the forecast budget shortfall. In setting, in February of this year, a balanced budget for the current (2015-16) financial year, £2.3m was taken out of the base budget to reflect the delivery of on-going budget savings.
- 12.5 The recommendation in this report, to provide a one-off contribution to the CSR reserve of £1.545m, will enable the Authority to better respond to future austerity measures.

13. SUMMARY OF REVENUE SPENDING

- 13.1 Budget monitoring reports considered during the financial year have highlighted the strategy 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 £2.051m. This report makes proposals as to how this underspend can best be utilised and the Authority is invited to consider these with a view to approving the recommendations of the Resources Committee made at its recent meeting.

14. SECTION 2 – CAPITAL OUTTURN 2014-15

- 14.1 The 2014-15 capital programme was originally set at £7.827m at the budget setting meeting held on the 24 February 2014. This programme figure has reduced during the financial year to £7.614m, as a result of slippage in spending from the previous year being offset by a previous decision made by members to transfer £2m of Capital budget in to 2015-16. There have also been some minor changes to the programme in year due to new capital spending items to be funded from grant income or revenue contributions. As has been reported to the Resources Committee during the year, whilst these changes represent a change in the 2014-15 programme they do not represent any increase to the previously agreed borrowing requirement.
- 14.2 Table 2 overleaf provides a summary of the provisional outturn position against the agreed 2014-2015 capital programme. Against a final capital programme of £7.614m, capital spending in year was £2.797m, with £4.817m of slippage in to 2015-16.

TABLE 2 – SUMMARY OF CAPITAL SPENDING IN 2014-15

Capital Programme 2014/15			
Item PROJECT	2014/15	2014/15	2014/15
	£000	£000	£000
	Budget	Projected outturn	Variation to budget
Estate Development			
1 SHQ major building works	58	0	(58)
2 Major Projects - Training Facility at Exeter Airport	320	16	(305)
3 Minor improvements & structural maintenance	1,062	168	(893)
4 Projects funded from Revenue & Reserves	667	396	(270)
5 Minor Works slippage from earlier years	680	626	(54)
Estates Sub Total	2,786	1,207	(1,579)
Fleet & Equipment			
6 Vehicles Slippage from 13/14	504	431	(73)
7 Equipment - Slippage from 13/14	415	92	(323)
8 Vehicle Replacement	2,557	768	(1,789)
9 Equipment	1,070	179	(891)
10 Projects funded from Reserves	271	111	(160)
11 Vehicles funded from revenue	11	9	(2)
Fleet & Equipment Sub Total	4,827	1,590	(3,238)
Overall Capital Totals	7,614	2,797	(4,817)
Programme funding			
Main programme	850	-	(850)
Revenue funds	4,939	1,166	(3,773)
Earmarked Reserves	427	233	(194)
Grants	1,398	1,398	-
	7,614	2,797	(4,817)

Slippage in Capital Spending 2014-15

14.3

This Authority has a three year 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 changes to safety regulations. Those projects that have slipped into 2015-16 will be reassessed and any potential savings identified.

15. **FINANCING THE 2014-15 CAPITAL PROGRAMME**

15.1 Table 3 below provides an analysis of how the 2014-15 capital spending of £2.797m is to be financed.

TABLE 3 – SUMMARY OF CAPITAL FINANCING IN 2014-15

	Actual Financing £m
<u>External Borrowing</u>	0
<u>Other Financing Sources</u>	
<u>Revenue Contribution to Capital Spending per programme</u>	0.748
Contribution from Earmarked Reserves	0.233
Purchase of 60 Crownhill Road	0.345
Axminster Station rebuild	0.038
Community Safety vehicles	0.009
Purchase of leased vehicles	0.026
Sub Total – Direct Revenue Funding/Earmarked Reserve	1.399
<u>Capital/Revenue Grants</u>	
CLG Grant to support capital spending	1.398
Sub Total - Capital/Revenue Grants	1.398
Total Financing	2.797

Borrowing

15.2 The amount of external borrowing at the beginning of the financial year stood at £26.214m. No new borrowing was taken out during the year and an amount of £0.270m has been repaid, resulting in an overall reduction of external borrowing to £25.944m as at 31 March 2015. This level of borrowing is well below the agreed (revised) maximum borrowing figure of £31.021m allowed under the Prudential Code.

16. **DRAFT PRUDENTIAL INDICATORS**

16.1 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

16.2 This prudential indicator reports actual capital spending for the year against the approved programme. Spending has proved to be £4.817m less than anticipated predominantly as a consequence of delays on progressing capital projects.

Approved Indicator	£7.614m
Actual Expenditure	£2.797m
Variance	(£4.817)m

Capital Financing Requirement (CFR) – External Borrowing

16.3 The CFR reflects the underlying need to borrow for capital purposes. Given that spending is £4.8m less than programmed, the need to borrow to fund capital spending has also reduced.

Approved CFR	£23.430m
Revised CFR	
(Based on actual spending)	£22.582m
Variance	(£0.848)m

16.4 As is reported in paragraph 16.2 actual external borrowing was £25.944m as at 31 March 2015. Whilst this level exceeds the revised CFR figure of £22.582m, which reflects that borrowing of £3.362m 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. £31.021m (see para 17.6 below).

Capital Financing Requirement (CFR) – Other Long Term Liabilities

16.5 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	£1.509m
Actual CFR	£1.509m
Variance	(£0.000) m

Authorised Limit and the Operational Boundary for External Debt

16.6 Actual external debt as at 31 March 2015 was £25.944m. This is within the revised authorised limit (absolute maximum borrowing approval) and operational boundary of £31.021m and £29.892m respectively, and therefore neither was breached.

Ratio of Financing Cost to Net Revenue Stream

16.7 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 0.23 base points (bp) below that estimate.

Capital Financing Costs	£2.927m
Interest on investments	(£0.186)m
Net Financing Costs	£2.741m

Net Revenue Stream	£75.794m
Percentage	3.62%
Estimated	3.85%
Variance	(0.23) bp

17. DETERMINATION OF CAPITAL FINANCE

17.1 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 £1.398m is capitalised and funded from external grant.
- That an amount of £1.399m is capitalised and funded from revenue contributions to capital spending, either directly from the 2014-15 revenue budget or from balances in Earmarked Reserves.

KEVIN WOODWARD
Treasurer

SUBJECTIVE ANALYSIS OF REVENUE SPENDING

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY		2014/15	Spending to	Projected	Projected
Revenue Budget Monitoring Report 2014/15		Budget	Month 12	Outturn	Variance
Line		£000	£000	£000	over/
No	SPENDING	(1)	(3)	(4)	(under)
					£000
					(5)
	EMPLOYEE COSTS				
1	Wholetime uniform staff	29,349	28,722	28,807	(541)
2	Retained firefighters	12,444	12,479	10,954	(1,490)
3	Control room staff	1,630	1,636	1,636	6
4	Non uniformed staff	9,146	9,298	9,298	152
5	Training expenses	986	803	803	(183)
6	Fire Service Pensions recharge	2,211	2,173	2,316	105
		55,765	55,111	53,814	(1,950)
	PREMISES RELATED COSTS				
7	Repair and maintenance	1,430	1,374	1,374	(56)
8	Energy costs	624	552	552	(72)
9	Cleaning costs	443	382	382	(61)
10	Rent and rates	1,617	1,604	1,604	(14)
		4,114	3,912	3,912	(202)
	TRANSPORT RELATED COSTS				
11	Repair and maintenance	612	515	515	(97)
12	Running costs and insurances	1,329	1,270	1,270	(59)
13	Travel and subsistence	1,524	1,448	1,448	(76)
		3,464	3,233	3,233	(231)
	SUPPLIES AND SERVICES				
14	Equipment and furniture	2,544	2,471	2,471	(73)
15	Supplies Internal Recharges	0	36	36	36
16	Hydrants-installation and maintenance	128	107	107	(22)
17	Communications	1,987	1,766	1,766	(221)
18	Uniforms	630	509	509	(121)
19	Catering	152	186	186	34
20	External Fees and Services	69	77	77	9
21	Partnerships & regional collaborative projects	123	131	131	8
		5,633	5,284	5,284	(349)
	ESTABLISHMENT COSTS				
22	Printing, stationery and office expenses	346	262	262	(84)
23	Advertising	32	28	28	(4)
24	Insurances	372	297	297	(75)
		750	587	587	(163)
	PAYMENTS TO OTHER AUTHORITIES				
25	Support service contracts	601	598	598	(3)
		601	598	598	(3)
	CAPITAL FINANCING COSTS				
26	Capital charges	4,351	3,830	3,830	(521)
27	Revenue Contribution to Capital spending	2,254	1,166	1,166	(1,088)
		6,605	4,996	4,996	(1,609)
28	TOTAL SPENDING	76,932	73,722	72,425	(4,507)
	INCOME				
29	Treasury management investment income	(100)	(186)	(186)	(86)
30	Grants and Reimbursements	(2,370)	(3,059)	(2,787)	(418)
31	Other income	(773)	(1,111)	(1,111)	(337)
32	Internal Recharges	(40)	(58)	(58)	(18)
33	TOTAL INCOME	(3,283)	(4,414)	(4,142)	(859)
34	NET SPENDING	73,649	69,308	68,283	(5,366)
	TRANSFERS TO EARMARKED RESERVES				
35	Grants Unapplied	29	0	231	202
36	Change & Improvement	0	0	399	399
37	2014-15 Budget Carry forwards	616	616	717	101
38	Capital Funding	1,500	1,500	2,588	1,088
39	Pension Reserve	0	0	1,525	1,525
38		2,145	2,116	5,460	1,588
39	NET SPENDING	75,794	71,424	73,743	(2,051)

SUMMARY OF RESERVES AND BALANCES AS AT 31 MARCH 2015

RESERVES AND PROVISIONS						
		Balance as at	Approved	Proposed	Spending to	Proposed
	Note	1 April 2014	Transfers	Transfers	P12	Balance as at
		£000	£000	£000	£000	31 March
						2015
						£000
RESERVES						
Earmarked reserves						
Grants unapplied from previous years	a	2,503	-	152	887	1,769
Change & improvement programme	b	739	-	399	200	938
Budget Carry Forwards	c/d	304	70	401	48	727
Commercial Services		211	-	-	19	192
Direct Funding to Capital	d/e	4,099	1,500	1,294	12	6,881
Comprehensive Spending Review*	f	3,389	-	1,545	-	4,934
Community Safety Investment		405	-	-	190	215
PPE & Uniform Refresh	g	450	546	-	-	996
Pension Liability reserve	h	-	-	1,525	-	1,525
Total earmarked reserves		12,100	2,116	5,316	1,355	18,177
General reserve						
General fund balance	i	<u>5,191</u>		79	0	<u>5,270</u>
Percentage of general reserve compared to net budget						6.95%
TOTAL RESERVE BALANCES		<u>17,291</u>				<u>23,447</u>
PROVISIONS						
Fire fighters pension schemes	j	2,084		(1,297)	3	784
PFI Equalisation		295		-		295
TOTAL PROVISIONS		2,379		(1,297)	3	1,079