

REPORT REFERENCE NO.	RC/15/6
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	14 MAY 2015
SUBJECT OF REPORT	DRAFT FINANCIAL OUTTURN 2014/15
LEAD OFFICER	Treasurer to the Authority
RECOMMENDATIONS	<p>(a) That the Fire and Rescue Authority, at its meeting on the 28 May 2015, be recommended to approve:</p> <p>(i) That the provisional underspend against the 2014-15 revenue budget of £2.053m be utilised to fund the following transfers to Earmarked Reserves, as outlined in paragraph 11.5 of this report:</p> <p style="padding-left: 40px;">A. the transfer of £0.506m to an Earmarked Reserve to be utilised to fund Essential Spending Pressures not included in the 2015-16 base budget (Para 11.5(d));</p> <p style="padding-left: 40px;">B. the transfer of the remaining £1.547m to the Comprehensive Spending Review (CSR) Reserve (Para 11.5(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 that this sum to transferred to a new Earmarked Reserve for Retained Pension Liability (Para 11.5(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. 11.5i)</p> <p>(b) That, subject to (a) 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 £2.053m is after;</p> <p style="padding-left: 40px;">A. A transfer of £0.137m 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.11.5a)</p> <p style="padding-left: 40px;">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. 11.5b and 11.5c)</p> <p style="padding-left: 40px;">C. A transfer of £1.088m revenue underspend on Capital to Earmarked Reserve (Para. 11.5e)</p>

	<i>D. Additional provisions relating to pension liabilities of £0.228m. (Para. 11.5j)</i>
EXECUTIVE SUMMARY	<p>This report sets out the draft financial outturn position for 2014-15 against agreed financial targets.</p> <p>In particular, it provides a draft outturn spending position against the 2014-2015 revenue budget with explanations of the major variations. Spending will be £2.053m below budget, (net of transfers to Earmarked reserves noted in this report) equivalent to 2.7% of the total budget.</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>
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	A. Summary of Prudential Indicators 2014-2015.
LIST OF BACKGROUND PAPERS	None.

1. INTRODUCTION

1.1 This report provides the draft financial outturn position for the financial year ending on the 31 March 2015. As well as providing a summary of spending against the 2014-2015 revenue and capital budget, the report also includes performance against other financial performance indicators, including the prudential and treasury management indicators.

1.2 Table 1 below provides a summary of performance against the key financial targets.

TABLE 1 –PERFORMANCE AGAINST KEY FINANCIAL TARGETS 2014-2015

	Key Target	Target	Forecast Outturn		Forecast Variance	
			Quarter 4	Previous Quarter	Quarter 4 %	Previous Quarter %
Revenue Targets						
1	Spending within agreed revenue budget	£75.794m	£73.741m	£74.664m	(2.71%)	(1.49%)
2	General Reserve Balance as %age of total budget (minimum)	5.00%	6.95%	6.85%	(1.95)bp	(1.85)bp
Capital Targets						
3	Spending within agreed capital budget	£7.504m	£2.797m	£4.446m	(62.74)%	(40.75)%
4	External Borrowing within Prudential Indicator limit	£22.582m <i>revised</i>	£25.944m	£25.944m	14.89%	14.89%
5	Debt Ratio (debt charges over total revenue budget)	3.85%	3.73%	3.63%	(0.12)bp	(0.22)bp

1.3 The remainder of the report is split into the three sections of:

- SECTION A – Revenue Budget 2014-15.
- SECTION B – Capital Budget and Prudential Indicators 2014-15.
- SECTION C – Other Financial Indicators.

1.4 Each of these sections provides a more detailed analysis of performance, including commentary relating to the major variances.

2. SECTION A - REVENUE BUDGET 2014-2015

2.1 Table 2 overleaf provides a summary of spending against all agreed subjective budget heads, e.g. employee costs, transport costs etc. This table indicates that spending at the year-end is £73.741m compared with an agreed budget figure of £75.794, representing a saving of £2.053m (£1.130m in Q3), and equivalent to 2.71% of the total budget.

2.2 It should be noted that the forecast spending figure is net of the proposed transfers to Earmarked Reserves, as outlined in paragraph 11.5 of this report.

TABLE 2 – REVENUE MONITORING STATEMENT 2014-2015

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY Revenue Budget Monitoring Report 2014/15						
Line No		2014/15 Budget £000 (1)	Year To Date Budget £000 (2)	Spending to Month 12 £000 (3)	Projected Outturn £000 (4)	Projected Variance over/ (under) £000 (5)
	SPENDING					
	EMPLOYEE COSTS					
1	Wholetime uniform staff	29,349	29,349	28,722	28,807	(541)
2	Retained firefighters	12,444	12,444	12,479	10,954	(1,490)
3	Control room staff	1,630	1,630	1,636	1,636	6
4	Non uniformed staff	9,146	9,146	9,298	9,298	152
5	Training expenses	986	986	833	833	(153)
6	Fire Service Pensions recharge	2,211	2,211	2,145	2,288	77
		55,765	55,765	55,113	53,816	(1,949)
	PREMISES RELATED COSTS					
7	Repair and maintenance	1,430	1,430	1,374	1,374	(56)
8	Energy costs	624	624	552	552	(72)
9	Cleaning costs	443	443	382	382	(61)
10	Rent and rates	1,617	1,617	1,604	1,604	(14)
		4,114	4,114	3,912	3,912	(202)
	TRANSPORT RELATED COSTS					
11	Repair and maintenance	612	612	515	515	(97)
12	Running costs and insurances	1,329	1,329	1,270	1,270	(59)
13	Travel and subsistence	1,524	1,524	1,448	1,448	(76)
		3,464	3,464	3,233	3,233	(231)
	SUPPLIES AND SERVICES					
14	Equipment and furniture	2,544	2,544	2,471	2,471	(73)
15	Supplies Internal Recharges	0	0	36	36	36
16	Hydrants-installation and maintenance	128	128	107	107	(22)
17	Communications	1,987	1,987	1,766	1,766	(221)
18	Uniforms	630	630	509	509	(121)
19	Catering	152	152	186	186	34
20	External Fees and Services	69	69	77	77	9
21	Partnerships & regional collaborative projects	123	123	131	131	8
		5,633	5,633	5,284	5,284	(349)
	ESTABLISHMENT COSTS					
22	Printing, stationery and office expenses	346	346	262	262	(84)
23	Advertising	32	32	28	28	(4)
24	Insurances	372	372	297	297	(75)
		750	750	587	587	(163)
	PAYMENTS TO OTHER AUTHORITIES					
25	Support service contracts	601	601	598	598	(3)
		601	601	598	598	(3)
	CAPITAL FINANCING COSTS					
26	Capital charges	4,351	4,351	3,830	3,830	(521)
27	Revenue Contribution to Capital spending	2,254	2,254	1,166	1,166	(1,088)
		6,605	6,605	4,996	4,996	(1,609)
28	TOTAL SPENDING	76,932	76,932	73,723	72,426	(4,506)
	INCOME					
29	Treasury management investment income	(100)	(100)	(186)	(186)	(86)
30	Grants and Reimbursements	(2,370)	(2,370)	(3,059)	(2,726)	(357)
31	Other income	(773)	(773)	(1,114)	(1,111)	(337)
32	Internal Recharges	(40)	(40)	(58)	(58)	(18)
33	TOTAL INCOME	(3,283)	(3,283)	(4,417)	(4,081)	(798)
34	NET SPENDING	73,649	73,649	69,306	68,345	(5,304)
	TRANSFERS TO EARMARKED RESERVES					
35	Transfer to Earmarked Reserve	645	2,145	616	2,807	2,162
37	Capital Funding	1,500		1,500	2,588	1,088
		2,145	2,145	2,116	5,396	3,250
38	NET SPENDING	75,794	75,794	71,423	73,741	(2,053)

- 2.3 These figures are based upon the draft outturn position as at 31 March 2015 and are based on all known commitments for the financial year 2014/15.
- 2.4 The significant underspend is largely as a result of the continued implementation of the Corporate Plan changes agreed in July 2013, which when fully implemented will have delivered on-going savings of £6.8m. It is recognised, however, that this full saving would take a number of years to deliver dependent on the natural turnover of staff through retirements. 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. .
- 2.5 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.
- 2.6 Explanations of the more significant variations from budget (over £0.050m 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 11.5 (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 £0.833m 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 £0.077m over budget includes a provision of £0.143m for back-dated 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 Table 2.

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.

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.

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.

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 £0.357m greater than budgeted which is mainly due to CLG Funding for smoke alarms
- 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.

Other Income

- 9.4 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.
- 9.5 Included is also additional income of £0.031m relating to successful recovery of moneys due from Brown's Coachworks, who went entered administration in 2013/14.

10. DIRECT REVENUE CONTRIBUTIONS TO CAPITAL

- 10.1 The Resources Committee, at its meeting on 20 November 2014, resolved to recommend to the Authority that a further contribution of £1.5m be made from any underspend in 2014-15 towards capital spending. This was approved by the Authority at its meeting on 17 December 2014 and has been reflected in Table 2 above.
- 10.2 **Commercial Income** – As outlined in paragraph 9.5 of this report income from commercial activities is £0.091m more than budgeted. The Authority has previously made an "in principle" decision that any income from commercial activities in excess of that budgeted be ring fenced to provide direct revenue funding toward capital spending. Table 2 reflects a further transfer of £0.091m to the Earmarked Reserve for Direct Revenue Contributions to Capital at the year-end.

11. RESERVES AND PROVISIONS

- 11.1 As well as the funds available to the Authority by setting an annual budget, the Authority also holds reserve and provision balances.

Reserves

- 11.2 There are two types of Reserves held by the Authority:

Earmarked Reserves – these reserves are held to fund a **specific** purpose and can only be used to fund spending associated with that specific purpose. Should it transpire that not all of the agreed funds are required then the agreement of the Authority would be sought to decide how any remaining balance is to be utilised.

General Reserve – usage from this Reserve is **non-specific** and is held to fund any unforeseen spending that had not been included in the base budget e.g. excessive operational activity resulting in significant retained pay costs.

Provisions

11.3 In addition to reserves the Authority may also hold provisions which can be defined as:

Provisions – a Provision is held to provide funding for a liability or loss that is known with some certainty will occur in the future, but the timing and amount is less certain.

11.4 A summary of predicted balances on Reserves and Provisions is shown in Table 3. These figures include those proposed transfers to Earmarked Reserves and provision outlined in this report which are recommended for approval by the Resources Committee.

TABLE 3 – RESERVES AND PROVISION BALANCES 31 MARCH 2015

RESERVES AND PROVISIONS						
	Note	Balance as at 1 April 2014 £000	Approved Transfers £000	Proposed Transfers £000	Spending to P12 £000	Proposed Balance as at 31 March 2015 £000
RESERVES						
Earmarked reserves						
Grants unapplied from previous years	a	2,503	-	87	611	1,979
Change & improvement programme	b	739	-	399	140	998
Budget Carry Forwards	c/d	304	70	401	48	727
Commercial Services		211	-	-	22	189
Direct Funding to Capital	d/e	4,099	1,500	1,294	-	6,892
Comprehensive Spending Review*	f	3,389	-	1,547	-	4,937
Community Safety Investment		405	-	-	34	371
PPE & Uniform Refresh	g	450	546	-	-	996
Pension Liability reserve	h	-	-	1,525	-	1,525
Total earmarked reserves		12,100	2,116	5,253	855	18,614
General reserve						
General fund balance	i	5,191		79	0	5,270
Percentage of general reserve compared to net budget						6.95%
TOTAL RESERVE BALANCES		17,291				23,884
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

* The CSR Reserve has been established to provide additional financial contingency during the period of austerity, which is now anticipated to go beyond the current CSR 2010 period until at least 2017-18. 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. It also provides further contingency in the event that government grant reductions are larger than included in the Authority's Medium Term Financial Plan.

11.5 The 2014-15 outturn figures in Table 2 include recommended provisions and proposed transfers to Earmarked Reserves, as referenced in Table 3:

a. **Grants Unapplied (£0.137m)** - 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.

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
NET TRANSFER	0.137	

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 £87k.

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 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 (£1.547m)** – 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 £1.547m 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:

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. SECTION B – CAPITAL PROGRAMME AND PRUDENTIAL INDICATORS 2014-15

Monitoring of Capital Spending in 2014-2015

12.1 Table 4 overleaf provides a summary of spending against the 2014-2015 capital programme. Capital spending for the year was £2.797m (£4.446m in Q3) against a revised programme of £7.614m.

TABLE 4 – CAPITAL OUTTURN 2014-15

Capital Programme 2014/15			
Item PROJECT	2014/15 £000	2014/15 £000	2014/15 £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	1,236	(3,702)
Earmarked Reserves	427	163	(264)
Grants	1,398	1,398	-
	7,614	2,797	(4,817)

Slippage in 2014-15

- 12.2 As is illustrated in Table 4 there has been slippage against the 2014-15 programme of £4.817m, a significant increase since Quarter 3.
- 12.3 Estates Slippage has occurred across several projects which include: Exeter Airport BA Training facility (£305k), vehicle wash down facilities (£226k) and a training hub at Barnstable (£225k), extension at Ilminster planned to incorporate the Police is awaiting final confirmation on their contribution to the scheme before it can go ahead (£308k). Additionally, schemes to improve security at stations and SHQ have been paused to allow a review of the estate and associated security requirements.
- 12.4 In Fleet and Equipment, slippage has been largely due to the delayed delivery of a number of LRP Appliances and associated equipment (£2.680m) as a result of the introduction of the Euro 6 chassis standard which caused a degree of redesign of the LRP. Additionally, plans to deliver a rationalisation of Breathing Apparatus kits across the service have now been delayed pending creation of the respiratory protection strategy.

12.5 It is a common feature of capital spending that individual projects included in the programme can be subject to delays, for instance as a consequence of weather delays, pending planning consents, or delays in the procurement/tendering process. Under the Prudential Code this does not cause any funding problems as slippage can be carried forward into the following years. In fact, slippage in capital spending has a positive impact against the revenue account in so much as it defers borrowing requirements and the associated debt charges.

Prudential Indicators (including Treasury Management)

12.6 Also included within Table 4 are details of how the spending of £2.797m is financed, which illustrates that all of this spending is to be funded from revenue funding or government grants therefore avoiding the need to increase external borrowing requirements in 2014-15.

12.7 Total external borrowing with the Public Works Loan Board (PWLb) as at 31 March 2015 stands at £25.944m from £26.059m at the previous quarter as a result of further principal repayments. This level of borrowing is well within the Authorised Limit for external debt of £31.120m (the absolute maximum the Authority has agreed as affordable). No further external borrowing is planned in this financial year.

12.8 Investment returns in the quarter yielded an average return of 0.55% which outperforms the LIBID 3 Month return (industry benchmark) of 0.43%. Investment returns from short-term deposits have exceeded the budgeted figure of £0.100m by £0.086m for the year to March 2015.

12.9 Appendix A provides a summary of performance against all of the agreed Prudential Indicators for 2014-2015, which illustrates that there was no breach of any of these indicators.

13. SECTION C - OTHER FINANCIAL PERFORMANCE INDICATORS

Aged Debt Analysis

13.1 Total debtor invoices outstanding as at Quarter 4 were £241,423 (previous quarter £207,147). Of this figure an amount of £10,607 (£48,019 as at 31 December 2014) was due from debtors relating to invoices that are more than 85 days old, equating to 4.39% (23.18% as at 31 December 2014) of the total debt outstanding. Table 5 overleaf provides a summary of all debt outstanding as at 31 March 2015.

TABLE 5 – OUTSTANDING DEBT AS AT 31 MARCH 2015

	Total Value £	%
Current (allowed 28 days in which to pay invoice)	216,174	89.54%
1 to 28 days overdue	10,615	4.40%
29-56 days overdue	3,154	1.31%
57-84 days overdue	873	0.36%
Over 85 days overdue	10,607	4.39%
Total Debt Outstanding as at 31 March 2015	241,423	100.00%

13.2 Table 6 provides further analysis of those debts in excess of 85 days old.

TABLE 6 – DEBTS OUTSTANDING FOR MORE THAN 85 DAYS

	No	Total Value	Action Taken
L Davies	1	£2,681	This relates to an overpayment to a former employee and has been written off since 31 March
Georgia Group	1	£7,688	This is a claim that relates to a breach of contract and refunds due to the Authority in relation to training courses not delivered. The agreed instalment plan is being adhered to

Payment of Supplier Invoices within 30 days

13.3 The Authority attempts to pay its suppliers promptly. The target is that 98% of invoices should be paid within 30 days (or other agreed credit terms). Actual performance to the end of March 2015 was 90.16% compared to the previous reported figure of 88.98% as at 31 December 2014. This is an encouraging improvement to performance following on from the implementation of centralised invoicing last year.

14. SUMMARY

14.1 The draft outturn position is that revenue spending is £2.053m less than the agreed budget figure for 2014-15, which aligns with the strategy adopted to deliver in-year savings where possible to be available to enhance Reserve balances.

14.2 This report makes proposals as to how this underspend can be utilised. Members of Resources Committee are asked to consider these proposals, as outlined in paragraphs 11(d) and 11(f) of this report, with a view to making a recommendation to the meeting of the Fire and Rescue Authority to be held on the 28 May 2015.

KEVIN WOODWARD
Treasurer to the Authority

APPENDIX A TO REPORT RC/15/6

PRUDENTIAL INDICATORS 2014-2015

Prudential Indicators and Treasury Management Indicators	Outturn £m	Target £m	Variance (favourable) /adverse
Capital Expenditure	2.797	7.614	(£4.817m)
External Borrowing vs Capital Financing Requirement (CFR) - Total	27.453	24.091	£3.362m
- Borrowing	25.944	22.582	
- Other long term liabilities	1.509	1.509	
External borrowing vs Authorised limit for external debt - Total	27.453	32.569	(£5.116m)
- Borrowing	25.944	31.120	
- Other long term liabilities	1.509	1.449	
Debt Ratio (debt charges as a %age of total revenue budget)	3.73%	3.85%	(0.12)bp
Cost of Borrowing – Total	1.106	1.140	(£0.034m)
- Interest on existing debt as at 31-3-14	1.106	1.075	
- Interest on proposed new debt in 2014-15	0.000	0.065	
Investment Income – full year	0.186	0.100	(£0.086m)
	Actual (31 Mar 2015) %	Target for quarter %	Variance (favourable) /adverse
Investment Return	0.55%	0.43%	(0.12)bp

Prudential Indicators and Treasury Management Indicators	Forecast (31 March 2015) %	Target Upper limit %	Target Lower limit %	Variance (favourable) /adverse %
Limit of fixed interest rates based on net debt	100.00%	100.00%	70.00%	0.00%
Limit of variable interest rates based on net debt	0.00%	30.00%	0.00%	(30.00%)
Maturity structure of borrowing limits				
Under 12 months	3.51%	30.00%	0.00%	(26.49%)
12 months to 2 years	0.99%	30.00%	0.00%	(29.01%)
2 years to 5 years	1.15%	50.00%	0.00%	(48.85%)
5 years to 10 years	5.03%	75.00%	0.00%	(69.97%)
10 years and above	89.31%	100.00%	50.00%	(10.69%)
- 10 years to 20 years	16.59%			
- 20 years to 30 years	13.62%			
- 30 years to 40 years	24.66%			
- 40 years to 50 years	34.45%			