

REPORT REFERENCE NO.	DSFRA/17/14
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (ORDINARY MEETING)
DATE OF MEETING	12 JUNE 2017
SUBJECT OF REPORT	PROVISIONAL FINANCIAL OUTTURN 2016-17
LEAD OFFICER	Treasurer to the Authority.
RECOMMENDATIONS	<p><b>(a) That the Authority approves:</b></p> <p><b>(i) That the provisional underspend against the 2016-17 revenue budget of £2.193m be utilised to fund the following transfers to Earmarked Reserves, as outlined in paragraph 12.1 of this report:</b></p> <p style="padding-left: 40px;"><b>A. the transfer of £1.780m to an Earmarked Reserve to be utilised to fund Essential Spending Pressures not included in the 2017-18 base budget (Para 12.1(b));</b></p> <p style="padding-left: 40px;"><b>B. the transfer of the remaining £0.413m to the Capital Funding Reserve (Para 12.1(g));</b></p> <p><b>(ii) That following a review of Earmarked Reserve requirements, an amount of £0.036m be transferred from Earmarked Reserves to General Reserve (Para. 12.1(d))</b></p> <p><b>(iii) That an amount of £0.230m be transferred from existing Earmarked Reserves Change and Improvement (£0.200m) and Budget Carry Forwards (£0.030m) to a new specific Earmarked Reserve to fund a replacement of the Performance Information Management System (PIMS) (Para 12.1 (e))</b></p> <p><b>(b) That, subject to (a) above, the following be noted:</b></p> <p><b>(i) The draft position in respect of the 2016-17 Revenue and Capital Outturn position, as indicated in this report.</b></p> <p><b>(ii) That the underspend figure of £2.193m is after;</b></p> <p style="padding-left: 40px;"><b>A. A transfer of £0.281m to Earmarked Reserves to fund the extension of the Home Fire Safety Pilot as agreed at the meeting of Resources Committee held on the 8<sup>th</sup> February 2017 (minute RC/16 refers)</b></p> <p style="padding-left: 40px;"><b>B. A transfer of £0.904m to the Grants Unapplied Reserve (£0.884m) and the Direct Funding to Capital Reserve (£0.020m), as required under International Financial Reporting Standards (IFRS) relating to grants received during the financial year but not utilised (Para.12.1(a) and 12.1(f))</b></p>

	<p><b>C. A transfer of £0.288m to Earmarked Reserves for 2016-17 Budget Carry Forwards to fund planned projects not completed by 31 March 2017 (Para. 12.1(c))</b></p> <p><b>D. A transfer of £2.641m to the Reserve for Capital funding (para 12.1(f))</b></p> <p><b>E. Additional provisions relating to pension liabilities of £0.064m. (Para. 12.1(h))</b></p>
<b>EXECUTIVE SUMMARY</b>	<p>This report sets out the draft financial outturn position for 2016-17 against agreed financial targets.</p> <p>In particular, it provides a draft outturn spending position against the 2016-17 revenue budget with explanations of the major variations. Spending will be £2.193m below budget, (net of transfers to Earmarked reserves noted in this report) equivalent to 2.96% 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 2017-18, at the February budget meeting, an amount of £2.4m was taken from the base budget to reflect further on-going budget.</p> <p>The figures included in this report are provisional at this stage, subject to external audit of the Accounts during July 2017.</p>
<b>RESOURCE IMPLICATIONS</b>	As indicated in the report
<b>EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)</b>	The contents of this report are considered compatible with existing equalities and human rights legislation.
<b>APPENDICES</b>	<p>A. Provisional Revenue Outturn Position 2016-2017.</p> <p>B. Summary of Reserve and Provision Balances at 31 March 2017</p>
<b>LIST OF BACKGROUND PAPERS</b>	None

## **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 2016-17, 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 is well aware of the difficult financial climate that local authorities are currently operating under as a result of cuts in government funding. In setting the 2016-17 revenue budget for the Authority in February 2016, consideration of the Medium Term Financial Plan (MTFP), recognised that further recurring savings will be required over the next three years to 2019-20, 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 14 of this report.
- 1.3 Mindful of this difficult outlook the strategy adopted during the last financial year 2016-17 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 2016-17 budget (previous forecast at Quarter 3 was for a saving of £1.957m). The provisional outturn figure for 2016-17, now included in this report, is for an under spend of £2.193m, equivalent to 2.96% of the 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, 2017-18, in February 2017, an amount of £2.4m has already been taken from the base budget to reflect on-going revenue savings.

## **2. SECTION 1 – REVENUE OUTTURN 2016-17**

- 2.1 Total revenue spending in 2016-17 was £71.784m, compared to an agreed budget of £73.977m, resulting in an underspend of £2.193m, equivalent to 2.96% 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 2016-17**

	£m	£m	£m
<b>Approved Budget</b>			<b>73.977</b>
Gross Spending (Appendix A Line 28)	72.093		
Gross Income (Appendix A Line 33)	(5.027)		
Net Spending		67.066	
<u>PLUS Transfers to Earmarked Reserves</u>			
- Transfers to Reserves included in budget (Appendix A Line 35)	0.906		
- Capital Funding (Appendix A Line 36)	2.641		
- Grants Unapplied (Appendix A Line 37)	0.884		
- 2016/17 Carry Forwards (Appendix A Line 38)	0.288		
Total Transfer to Earmarked Reserves (Appendix A Line 38)		4.718	
<b>TOTAL NET SPENDING</b>			<b>71.784</b>
<b>NET UNDERSPEND</b>			<b>(2.193)</b>

- 2.2 These figures are based upon the spending position at the end of March 2017 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 The significant underspend is largely as a result of the continued implementation of the Corporate Plan changes agreed in July 2013, including a reduction of 149 in the number of firefighter posts, which when fully implemented will have delivered on-going savings of £6.8m. It was recognised, however, that this full saving would take a number of years to deliver dependent on the natural turnover of staff through retirements. This was completed in 2016-17 with the required number of retirements to deliver those full savings being achieved.
- 2.4 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. EMPLOYEE COSTS**

#### ***Wholetime Staff***

- 3.1. This year end position of £27.570m is £0.892m below the budget of £28.462m. This includes a provision of £0.064m for future pension liabilities which may arise on allowances following legislation and is intended to supplement the provision first made in the 2013/14 accounts detailed in paragraph 12.1(h) of the report. The reduction in spend is the result of the reduction in firefighting posts reported in para 2.3 above.

#### ***Control Room Staff***

- 3.2. Spend for the 2016-17 year is £0.060m below budget due a mid-year change in the management of the facility now being covered by a Wholetime member of staff so is shown in the Wholetime Staff budget line. The amount of overtime was also lower than had been budgeted for.

### ***Non Uniformed Staff***

- 3.3. Savings of £0.292m have been achieved against non-uniformed pay costs primarily as a result of staffing vacancies and management action to challenge whether vacancies are filled. The non-uniformed budget has been reduced by an amount of £0.202m in 2017-18 to reflect this strategy. The underspend figure also includes a saving of £0.059m as a result of a reduction in the number of courses run in 2016-17 in relation to the Job Centre Plus initiative. Members are reminded that this initiative is delivering courses on behalf of the Department of Work and Pensions to young adults having trouble securing themselves jobs. This has had a compensatory effect on the Grants & Reimbursements budget line.

### ***Training Expenses***

- 3.4. Training expenses are £0.465m against budget of £0.955m, resulting in a saving of £0.490m. Of this figure, £0.279m is as a result of year-end accounting adjustments in relation to the Public Finance Initiative (PFI) at the Severn Park Training Centre in Avonmouth, which is wholly offset by a reduction in Capital Financing Costs. In previous years the adjustment had been made whilst compiling the Statement of Accounts, however for 2016-17 it is included now to ensure that the information presented aligns to what is shown in the Statement of Accounts (per audit requirement). During 2017/18 an in year virement will be recommended to align the budget with PFI accounting requirements. The remainder of the savings in training costs are as a result of delays in planned training for Station 60 (Urban Search & Rescue) of £0.057m and a reduced training requirement, as compared against the original plan, for Organisational Development in 2016-17 of £0.053m. The Academy were also underspent by £0.100m – the majority of which relates to Non-uniform staff training.

### ***Fire Service Pensions Recharge***

- 3.5. The outturn position of £0.122m over budget is as a result of two further Ill Health and Injury retirements in year beyond what was anticipated when the budget was set.

## **4. PREMISES RELATED COSTS**

### ***Repair & Maintenance***

- 4.1 Budget savings against this line of £0.182m result from delays in projects commencing within 2016-17 which are planned to go ahead in 2017-18. Of this figure, £0.160m is requested as a budget carry forward as included in paragraph 12.1 (c) of this report.

### ***Energy Costs***

- 4.2 Energy costs savings of £0.093m are due to weather variations and savings as a result of new energy contracts which started shortly after the commencement of the financial year.

### ***Rent & Rates***

- 4.3 Budget savings of £0.126m have been made on rent & rates. Following appeals to the Valuation Office, a number of rates rebates have been received for sites throughout the Service area.

## **5. TRANSPORT RELATED COSTS**

### ***Repair and Maintenance***

- 5.1 Fleet maintenance costs were £0.120m under budget as a result of a reduction in the volume of repairs and the continued positive impact of the introduction of Light Response Pump (LRP) on maintenance costs.

### ***Running costs and Insurances***

- 5.2 Savings of £0.128m have been made against this budget line, the majority as a result of lower fuel prices than anticipated throughout the year (£0.081m) and reduced insurance premiums resulting from the Authority's participation in the fire insurance mutual FRIC (0.048m).

## **6. SUPPLIES AND SERVICES**

### ***Equipment and Furniture***

- 6.1 Spend on Equipment and Furniture was £2.098m, which is £0.233 below the budget of £2.331m. Of this figure, £0.113m relates to maintenance of the Breathing Apparatus (BA) sets which will be carried out in the new financial year, and £0.138m is due to a reduced requirement for items of operational equipment.

### ***Communications***

- 6.2 The outturn position for Communication spend is £1.819m against budget of £2.019m resulting in savings of £0.200m. Of this figure, £0.050m relates to Network Enhancements that were delayed in 2016-17 and are subject to a carry forward as included at paragraph 12.1 (c) of this report and £0.105m relates to the Airwave contract for Emergency Services communications and navigation equipment in vehicles – the costs being confirmed in February 2017 as less than originally budgeted for.

### ***Catering***

- 6.3 As a result of the Service decision to close both of the canteens at Service Headquarters and at our Plympton site, the expenditure associated with catering purchases has reduced. There has been a saving of £0.105m which is partially off-set by a reduction in meals income.

## **7. ESTABLISHMENT COSTS**

### ***Printing, Stationery and Office Expenses***

- 7.1 Expenditure on Printing, Stationery and Office Expenses is £0.106m lower than budgeted as a result of savings on publications, postage, photocopying and consultation fees.

## **8. PAYMENTS TO OTHER AUTHORITIES**

### ***Support Services Contracts***

- 8.1 The outturn position for Support Services Contracts is £0.883m against budget of £0.716m - an overspend of £0.167m. Of this figure, £0.117m is as a result of unanticipated expenditure on legal costs and a further £0.043m for external HR professional support.

## **9. CAPITAL FINANCING COSTS**

### ***Capital Charges***

- 9.1 Capital charges are £0.057m above budget. As a result of changes to the way in which the Service now present the costs associated with the Severn Park PFI (as outlined in paragraph 3.4 of this report) £0.202m of unbudgeted PFI costs are shown in Appendix A row 26 Capital charges. This has been largely offset by a reduction in Lease Costs as a result of vehicles being bought out from their contracted leases.

### ***Revenue contribution to Capital Spending***

- 9.2 This budget line reports an under-utilisation of contribution to reserves of £2.453m. As a result of overall timing differences to the capital programme in 2016-17 this amount is required to be transferred in to the Direct Funding to Capital Reserve to be used against ongoing projects.

## **10. INCOME**

### ***Investment Income***

- 10.1 There is a surplus for Investment income which is primarily due to strong yields on higher cash balances producing £0.052m more income than budgeted.

### ***Grants and Re-imbursements***

- 10.2 Grants and re-imbursements received in 2016-17 were £3.937m against a budget of £3.150m. The increase of £0.787m is largely due to £0.840m of unexpected grant receipts from the Home Office in March 2017 which are budgeted to be received in 2017-18. Accounting standards dictate that these grants are recognised as income at the point of cash receipt and are therefore subject to a request to carry them forward as Earmarked Reserves. Paragraph 12.1 (a) of this report identifies those grants that need to be carried forward.

### ***Other Income***

- 10.3 Other income was £0.252m above budget which is due to a variety of factors including increased contribution from Red One Ltd (£0.167m) and additional income generated by Procurement (£0.064m) – the majority of which relates to the use by other fire and rescue authorities of the framework agreements put in place associated with Breathing Apparatus (BA) and the Light Rescue Pumps (LRP's).

## **11. DIRECT REVENUE CONTRIBUTIONS TO CAPITAL**

- 11.1 Appendix A reflects that savings of £2.453m on Revenue Contribution to Capital arising in year is transferred directly to the Earmarked reserve for Capital funding. The total contribution to this Reserve will £2.641m to include two additional items:

- 11.2 ***Commercial Income*** – As outlined in paragraph 10.3 of this report income from commercial activities is £0.167m 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. Appendix A reflects a further transfer of £0.167m to the Earmarked Reserve for Direct Revenue Contributions to Capital at the year-end.

- 11.3 ***Grant Income*** – that an amount of £0.021 Capital Grant received from the Home Office as a response to new risks is transferred in to the reserve to fund the future capital programme.

## **12. CONTRIBUTION TO EARMARKED RESERVES**

- 12.1 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 (£0.884m)** - under International Financial Reporting Standards (IFRS) accounting arrangements, any unused grants at the year-end, which are not subject to repayment, are to be identified and carried forward to 2017-18 via and Earmarked reserve. An analysis of such grants is shown in the table below.

Grant Received From	£m	Purpose of Grant
Insure the Box	0.027	Learn 2 Live programme of events
Home Office	0.019	Responding to Marauding Terrorists Firearms Attack (MFTA) risks – revenue
Home Office	0.037	To fund Urban Search & Rescue (USAR) Activities
Home Office	0.714	Firelink (Airwave) grant for April – January 2017/18
Home Office	0.056	To fund ESMCP Network requirements
Department of Communities and Local Government (CLG)	0.030	Business Rates smoothing grant
<b>NET TRANSFER</b>	<b>0.884</b>	

b. **2017-18 Earmarked Reserves for Change and Improvement (£1.780m)** - A number of new opportunities for Change & Improvement initiatives have arisen since the 2017-18 budget was set and therefore it is recommended that the Authority approve a total transfer of £1.780m to Earmarked Reserves, either to the existing Change and Improvement reserve or the creation of new reserves to fund these projects. The delivery of each project will be subject to consideration of a full business case.

These are identified as follows:

Description	£m
Change & Improvement Programme	0.045
Digital Transformation Strategy	0.430
Risk Critical Operational Equipment	0.037
Firefighter fitness monitoring & support	0.176
Operational Safety – new training model	0.404
Emergency Services Mobile Communications Programme	0.688
<b>TOTAL TRANSFER</b>	<b>1.780</b>



c. **Budget Carry Forwards (£0.288m)** - Budget carry forwards for revenue items are requested for items where budget was provided in 2016-17 but the purchase or procurement was delayed beyond 31 March 2017. These are identified as follows:

Description	£m
Estate works including Dartmouth roof replacement, Crownhill roof replacement, Crownhill heating system, various drill tower repairs, Plympton electrical works and SHQ Hub area remodel.	0.208
Scoping the replacement of the Service performance information system (PIMS)	0.030
ICT Network Enhancements	0.050
<b>TOTAL TRANSFER</b>	<b>0.288</b>

d. **Transfers to the General Fund**

In addition to these transfers, a recent review of historic Reserve balances has meant remaining balances for North Devon Domestic Violence (£0.003m) and Level 4 Boat Training (£0.033m) are no longer required because these projects have been delivered under budget and can therefore be returned to the General Fund. The net effect of these changes is for a transfer of £0.036m.

e. **Move from Change & Improvement into specific Earmarked Reserve for Performance Information Management System (PIMS)**

To monitor expenditure associated with the project, it is proposed to create a separate Reserve for PIMS replacement of which we are proposing to add £0.030m from this year's underspend (Paragraph 12.1c) in addition to a transfer of £0.200m from the Change & Improvement Reserve into the PIMS replacement reserve.

f. **Direct funding to Capital (£2.641m)** - As reported in paragraphs 11.1 to 11.3 of this report, a budget carry forward of £2.453m to fund capital commitments in 2017-18 is required in addition to Red One income being utilised for Capital Funding. Within the amounts is a capital grant received from the Home Office relating to MTFA, it is requested to carry this grant forward in-line with the recommendations in para 12.1 (a) above.

Description	£m
Revenue Contribution to Capital from 2016-17	2.453
Red One Contribution	0.167
Capital Grant	0.021
<b>TOTAL TRANSFER</b>	<b>2.641</b>

g. **Direct funding to Capital (£0.413m)** - It is recommended that the Authority approve that the remaining underspend of £0.413m be transferred to the Capital Funding Reserve to be utilised to fund future capital investment therefore in order to further prevent the need to borrow in future financial years. By utilising under spends

in this way the revenue budget will be protected from future Capital Charges and ensure that debt charges are kept within the prudential indicator of affordability, set at 5% of total revenue budget.

h. **Provision for Firefighters pension schemes** - As detailed in paragraph 3.1 of this report, a further enhancement to the Provision for Firefighters pension scheme is recommended for the Pensionable Allowances 2016-17 element of £0.064m.

### **13. PROPOSALS FOR UTILISATION OF THE UNDERSPEND**

13.1 The Authority is asked to approve the recommendations that the underspend figure of £2.193m be used to fund two further transfers into Earmarked Reserves, as detailed in Paragraph 12:

(a) **Essential Spending Pressures 2016-17 (£1.780m)**

(b) **Transfer to Capital Funding Reserve (£0.413m)**

13.2 A summary position of Reserves and Provisions as at 31 March 2017, including the recommendations included in this report, is included as Appendix B to this report.

#### ***Provisions***

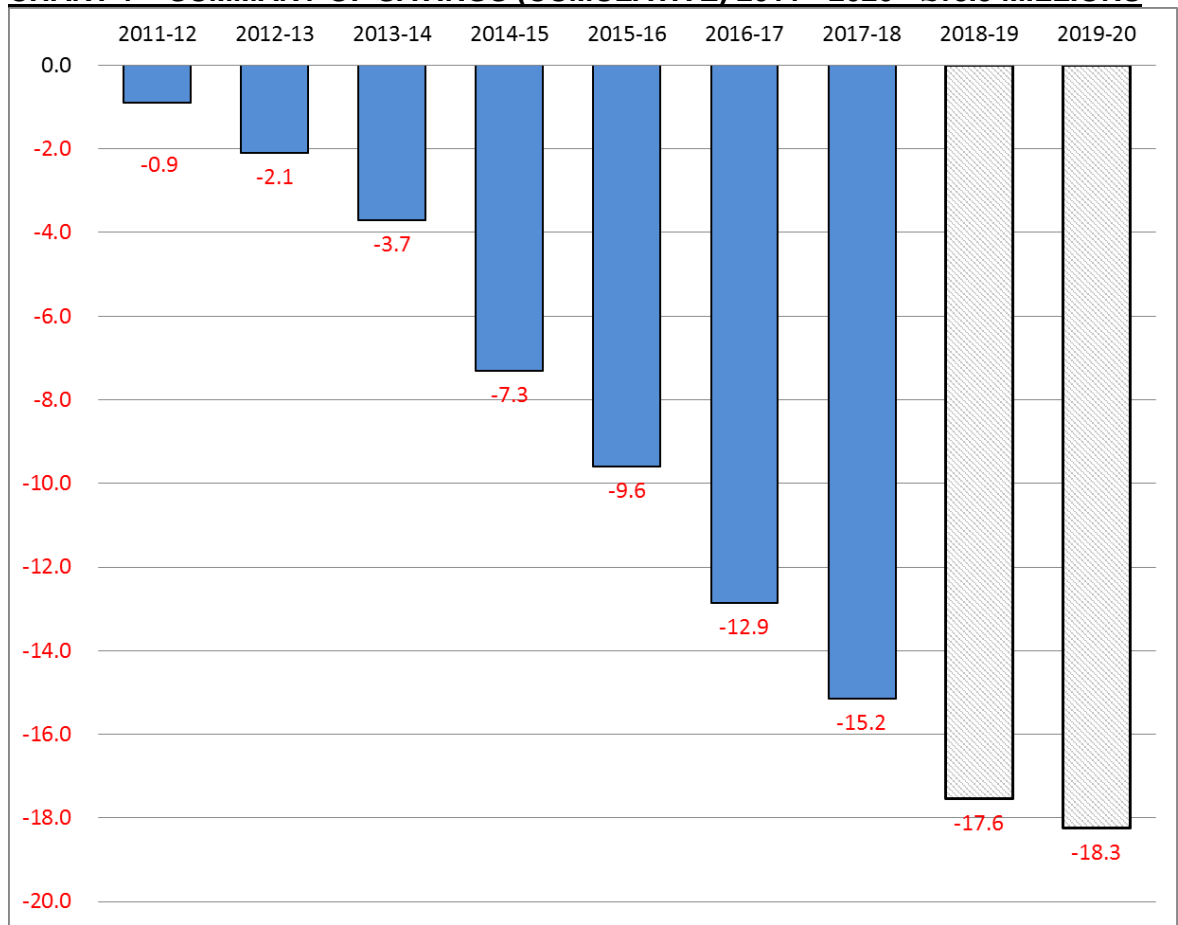
13.3 Included in Appendix B is a summary of the Provision balances as at 31 March 2017. As part of the year-end process the Authority is required to review the adequacy of Provision balances and consider whether any changes during the year require additional amounts to be set aside. As a result of the most recent review it has been assessed that an additional charge of £0.064m should be set aside in Provisions.

### **14. IMPACT TO MEDIUM TERM FINANCIAL PLANNING**

14.1 The Authority is well aware of the difficult financial climate currently being faced by local authorities as a result of significant reductions in government funding. Following acceptance by the government, of an Efficiency Plan the Authority has received a four-year settlement to 2019-20. The grant has reduced by £2.9m in 2017-18, and will decrease further by £1.7m by 2019-20. This means that the Medium Term Financial Plan (MTFP) needs to be planning for the significant reductions beyond 2017-18.

14.2 So far, the Authority has responded well, since 2011 a total of £13.5m 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 2017-18. However the MTFP forecasts that a further £3.1m of on-going savings will be required over the next two years to 2019-20 (if Council Tax is increased). Chart 1 overleaf provides a summary of savings delivered to date (2017-18) and forecast savings required over the next two years 2018-19 to 2019-20.

**CHART 1 – SUMMARY OF SAVINGS (CUMULATIVE) 2011 - 2020 - £18.3 MILLIONS**



14.3 As reported earlier the budget proposals included in the Corporate Plan agreed by the Authority in have now been fully implemented delivering total on-going savings of £6.8m.

14.4 The recommendation in this report, to provide a one-off contribution to the Capital Funding reserve of £0.413m, will enable the Authority to better respond to future austerity measures by reducing the revenue burden of Capital Charges and preventing borrowing.

**15. SUMMARY OF REVENUE SPENDING**

15.1 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 £2.193m along with in year transfers to the Capital funding reserve. 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 proposals.

**16. SECTION 2 – CAPITAL OUTTURN 2016-17**

16.1 The 2016-17 capital programme was originally set at £5.1m at the budget setting meeting held on the 19 February 2016. This programme figure has increased during the financial year to £6.423m, as a result of timing differences in spending from the previous year being offset by a previous decision made by members to transfer £1.1m of Capital budget in to 2016-17. There have also been some minor changes to the programme in year due to new capital spending items to be funded from revenue contributions. As has been reported to the Resources Committee during the year, whilst these changes represent a change in the 2016-17 programme they do not represent any increase to the previously agreed borrowing requirement.

16.2 Table 2 below provides a summary of the provisional outturn position against the agreed 2016-2017 capital programme. Against a final capital programme of £6.423m, capital spending in year was £2.758m, resulting in unspent programme of £3,665m, of which £2.556m relates to timing delays to be carried forward to 2017-18, and £1.109m of savings.

**TABLE 2 – SUMMARY OF CAPITAL SPENDING IN 2016-17**

	2016/17 £000	2016/17 £000	2016/17 £000	2016/17 £000
PROJECT	Revised Budget	Outturn	Timing Differences	Re- scheduling/ Savings
<b>Estate Development</b>				
Minor improvements & structural maintenance	2,095	652	(1,409)	(34)
<b>Estates Sub Total</b>	<b>2,095</b>	<b>652</b>	<b>(1,409)</b>	<b>(34)</b>
<b>Fleet &amp; Equipment</b>				
Appliance replacement	1,854	1,550	(117)	(187)
Community Fire Safety	6	5	0	(1)
Specialist Operational Vehicles	265	79	(186)	0
Equipment	1,377	458	(31)	(888)
ICT Department	800	0	(800)	0
Water Rescue Boats	26	14	(12)	0
<b>Fleet &amp; Equipment Sub Total</b>	<b>4,328</b>	<b>2,106</b>	<b>(1,147)</b>	<b>(1,075)</b>
<b>Overall Capital Totals</b>	<b>6,423</b>	<b>2,758</b>	<b>(2,556)</b>	<b>(1,109)</b>
<b>Programme funding</b>				
Earmarked Reserves:	1,266	47	(1,219)	0
Revenue funds:	3,165	719	(1,337)	(1,109)
Application of existing borrowing	1,992	1,992	0	0
Grant - Responding to new risks	0	0		0
<b>Total Funding</b>	<b>6,423</b>	<b>2,758</b>	<b>(2,556)</b>	<b>(1,109)</b>

### ***Capital Spending 2016-17***

- 16.3 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 and several Estates projects being paused awaiting strategic review of the property portfolio. Those projects that have moved into 2017-18 will be reassessed and any potential savings identified.
- 16.4 Slippage has occurred across several Estates projects which, amongst other smaller projects include: Station security (£0.205m), Station improvements/refurbishments (£0.491m), Fire Control works (£0.130m) and compliance with water regulatory requirements (£0.396m).
- 16.5 Slippage In Fleet and Equipment projects has been largely due to: delayed replacement of Mobile Data Terminals in Appliances of £0.800m, the confined space training vehicle of £0.140m, along with a Prime Mover (£0.046m), Incident Support Units (£0.090m) and an amount of £0.077m relating to the L4P pilot plus some other smaller value equipment

## **17. FINANCING THE 2016-17 CAPITAL PROGRAMME**

- 17.1 Table 3 below provides an analysis of how the 2016-17 capital spending of £2.758m is to be financed.

**TABLE 3 – SUMMARY OF CAPITAL FINANCING IN 2016-17**

	<b>Actual Financing Required £m</b>
<b><u>Application of existing borrowing</u></b>	<b>1.992</b>
<b><u>Other Financing Sources</u></b>	
<u>Revenue Contribution to Capital Spending per programme</u>	0.589
Purchase of leased Appliances	0.111
Contribution from Earmarked Reserves	0.047
Capital Receipt	0.014
Revenue Underspend contribution	0.005
<b>Sub Total – Direct Revenue Funding/Earmarked Reserve</b>	<b>0.766</b>
<b>Total Financing</b>	<b>2.758</b>

### ***Borrowing***

- 17.2 The amount of external borrowing at the beginning of the financial year stood at £25.817m. No new borrowing was taken out during the year and an amount of £0.093m has been repaid, resulting in an overall reduction of external borrowing to £25.724m as at 31 March 2017. This level of borrowing is well below the agreed (revised) maximum borrowing figure of £26.824m allowed under the Prudential Code.

### **DRAFT PRUDENTIAL INDICATORS**

- 18.1 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***

- 18.2 This prudential indicator reports actual capital spending for the year against the approved programme. Spending has proved to be £3.665m less than anticipated predominantly as a consequence of delays on progressing capital projects.

Approved Indicator	£6.423m
Actual Expenditure	£2.758m
Variance	(£3.665)m

#### ***Capital Financing Requirement (CFR) – External Borrowing***

- 18.3 The CFR reflects the underlying need to borrow for capital purposes. Given that existing borrowing has been applied to the spending in 2016-17 the need to borrow to fund capital spending has remained static.

Approved CFR	£25.724m
Revised CFR	
(Based on actual spending)	£25.723m
Variance	(£0.001)m

#### ***Capital Financing Requirement (CFR) – Other Long Term Liabilities***

- 18.4 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	£1.374m
Actual CFR	£1.374
Variance	(£0.000) m

#### ***Authorised Limit and the Operational Boundary for External Debt***

- 18.5 Actual external debt as at 31 March 2017 was £25.724m. This is within the revised authorised limit (absolute maximum borrowing approval) of £26.824m however, the operational boundary of £25.537m was slightly breached at year end by £0.186m.
- 18.6 There may be occasions when the operational boundary for borrowing is temporarily breached - for example, forecasting future debt repayments. Such breaches must be monitored to identify trends, but do not need to be reported. This issue will be rectified by the end of 2017-18 financial year.

### ***Ratio of Financing Cost to Net Revenue Stream***

18.7 This ratio aims to show the percentage of revenue resources which are applied to financing debt. The Authority's estimate was that 4.18% would be applied, that estimate has proven to be slightly high.

Capital Financing Costs	£3.247m
Interest on investments	(£0.205)m
Net Financing Costs	£3.042m
Net Revenue Stream	£73.977m
Percentage	4.11%
Estimated	4.18%
Variance	(0.07) bp

### **19. DETERMINATION OF CAPITAL FINANCE**

19.1 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 £1.992m of external borrowing from previous years be utilised to fund the Capital programme.
- That an amount of £0.752m is capitalised and funded from revenue contributions to capital spending, either directly from the 2016-17 revenue budget or from balances in Earmarked Reserves.
- That £0.014m of capital receipt received in year be used to contribute towards funding the 2016-17 capital programme.

**KEVIN WOODWARD**  
Treasurer

**SUBJECTIVE ANALYSIS OF REVENUE SPENDING**

<b>DEVON &amp; SOMERSET FIRE AND RESCUE AUTHORITY</b>		<b>2016/17 Budget £000</b>	<b>Projected Outturn £000</b>	<b>Projected Variance over/ (under) £000</b>
<b>Line No</b>	<b>SPENDING</b>			
	<b>EMPLOYEE COSTS</b>			
1	Wholetime uniform staff	28,462	27,570	(892)
2	Retained firefighters	12,340	12,306	(34)
3	Control room staff	1,564	1,503	(60)
4	Non uniformed staff	10,141	9,849	(292)
5	Training expenses	955	465	(490)
6	Fire Service Pensions recharge	2,786	2,908	122
		<b>56,247</b>	<b>54,602</b>	<b>(1,646)</b>
	<b>PREMISES RELATED COSTS</b>			
7	Repair and maintenance	1,205	1,023	(182)
8	Energy costs	611	517	(93)
9	Cleaning costs	449	404	(45)
10	Rent and rates	1,685	1,559	(126)
		<b>3,949</b>	<b>3,502</b>	<b>(447)</b>
	<b>TRANSPORT RELATED COSTS</b>			
11	Repair and maintenance	628	509	(120)
12	Running costs and insurances	1,372	1,244	(128)
13	Travel and subsistence	1,394	1,353	(41)
		<b>3,395</b>	<b>3,105</b>	<b>(289)</b>
	<b>SUPPLIES AND SERVICES</b>			
14	Equipment and furniture	2,331	2,098	(233)
15	Supplies Internal Recharges	0	26	26
16	Hydrants-installation and maintenance	175	169	(7)
17	Communications	2,019	1,819	(199)
18	Uniforms	590	622	32
19	Catering	171	66	(105)
20	External Fees and Services	52	67	15
21	Partnerships & regional collaborative projects	139	186	47
		<b>5,476</b>	<b>5,052</b>	<b>(424)</b>
	<b>ESTABLISHMENT COSTS</b>			
22	Printing, stationery and office expenses	350	244	(106)
23	Advertising	34	22	(12)
24	Insurances	329	299	(30)
		<b>713</b>	<b>566</b>	<b>(147)</b>
	<b>PAYMENTS TO OTHER AUTHORITIES</b>			
25	Support service contracts	716	883	167
		<b>716</b>	<b>883</b>	<b>167</b>
	<b>CAPITAL FINANCING COSTS</b>			
26	Capital charges	3,615	3,671	57
27	Revenue Contribution to Capital spending	3,165	712	(2,453)
		<b>6,779</b>	<b>4,383</b>	<b>(2,396)</b>
28	<b>TOTAL SPENDING</b>	<b>77,275</b>	<b>72,093</b>	<b>(5,182)</b>
	<b>INCOME</b>			
29	Treasury management investment income	(154)	(205)	(52)
30	Grants and Reimbursements	(3,150)	(3,937)	(787)
31	Other income	(590)	(842)	(252)
32	Internal Recharges	(30)	(43)	(13)
33	<b>TOTAL INCOME</b>	<b>(3,923)</b>	<b>(5,027)</b>	<b>(1,104)</b>
34	<b>NET SPENDING</b>	<b>73,352</b>	<b>67,066</b>	<b>(6,286)</b>
	<b>TRANSFERS TO EARMARKED RESERVES</b>			
35	Transfers to reserves	625	906	281
36	Transfer to Capital funding	0	2,641	2,641
37	Grants Unapplied	0	884	884
38	Budget Carry forwards	0	288	288
		<b>625</b>	<b>4,718</b>	<b>4,093</b>
36	<b>NET SPENDING</b>	<b>73,977</b>	<b>71,784</b>	<b>(2,193)</b>



**APPENDIX B TO REPORT DSFRA/17/14**

**SUMMARY OF RESERVES AND BALANCES AS AT 31 MARCH 2017**

	Note	Balance as at 1 April 2016 £000	Approved Transfers £000	Proposed Transfers £000	Spending to P12 £000	Proposed Balance as at 31 March 2017 £000
<b>RESERVES</b>						
<b>Earmarked reserves</b>						
Grants unapplied from previous years	a	(983)	-	(821)	275	(1,529)
Change & improvement programme	b/e	(1,112)	-	155	493	(464)
Budget Carry Forwards	c/d	(696)	-	(255)	191	(760)
Commercial Services		(192)	-	-	19	(172)
Direct Funding to Capital	a/f/g	(12,911)	(625)	(3,054)	14	(16,576)
Comprehensive Spending Review*		(4,957)	-	-	-	(4,957)
Community Safety Investment		(173)	(281)	-	84	(370)
PPE & Uniform Refresh		(996)	-	-	369	(628)
Pension Liability reserve		(1,525)	-	-	-	(1,525)
PIMS Replacement	c/e	-	-	(230)	-	(230)
National Procurement Project		(372)	-	-	(27)	(399)
NNDR Smoothing Reserve	a	(612)	-	(30)	-	(642)
Digital Transformation Strategy	b	-	-	(430)	-	(430)
Risk Critical Operational Equipment	b	-	-	(38)	-	(38)
Firefighter fitness monitoring & support	b	-	-	(176)	1	(175)
Operational Safety - new training model	b	-	-	(404)	-	(404)
Emergency Services Mobile Communications Programme	b	-	-	(688)	-	(688)
<b>Total earmarked reserves</b>		<b>(24,529)</b>	<b>(906)</b>	<b>(5,969)</b>	<b>1,419</b>	<b>(29,985)</b>
<b>General reserve</b>						
General fund balance	d	(5,282)		(36)	-	(5,318)
Percentage of general reserve compared to net budget						7.19%
<b>TOTAL RESERVE BALANCES</b>		<b>(29,812)</b>				<b>(35,304)</b>
<b>PROVISIONS</b>						
Fire fighters pension schemes	h	(694)		(64)	2	(755)
PFI Equalisation		(295)		-	-	(295)
<b>TOTAL PROVISIONS</b>		<b>(989)</b>		<b>(64)</b>	<b>2</b>	<b>(1,050)</b>