

Safest People, Safest Places

County Durham and Darlington
Fire and Rescue Authority



FINANCE COMMITTEE

23 OCTOBER 2018

REVENUE AND CAPITAL OUTTURN FOR THE YEAR ENDED 31st MARCH 2018

REPORT OF TREASURER

Purpose of the Report

1. To provide information on the 2017/18 revenue and capital outturn compared with the original budget. The comparison with the **original** budget is a requirement for the published statement of accounts and differs from the information provided during the year which compared actual expenditure and income with the **revised** budget.

Background

2. During 2017/18, members received regular reports comparing actual expenditure and income with the budget, together with explanations for variances. This report provides further detail on the actual outturn position for the year ended 31 March 2018.

Comparison of Revenue Outturn with Budget

3. The total net revenue expenditure for 2017/18 was £27.826M which was £21,000 in excess of the original budget of £27.805M. When the original budget was set the actual amount of grant due in relation to the business rates retention scheme was not known. The actual sum received was £21,000 greater than the amount included in the original budget which offset the £21,000 increase in net expenditure.
4. During 2017/18 an additional revenue contribution of £0.821M was made to finance capital expenditure which will reduce the need to borrow in future years. The total underspend on ordinary activities (excluding transfers to/from reserves) was £0.589M.
5. The reasons for significant variations from the budget are set out below and an analysis of expenditure and income over subjective budget headings is set out in Appendix 1.
6. **Employees - £0.663M Overspent**

The overspend on employees was due to a number of factors:

- The cost of firefighter apprentices and trainees was included in the original budget under the contingencies heading. This cost was therefore offset by an underspend on contingencies.
- During the year, the Service brought the facilities management (FM) function in house and now directly employs the FM staff. This cost was offset by a saving in the FM contract payments under the premises budget heading.
- Costs relating to employees undertaking work on behalf of the Community Interest Company and Vital Fire Solutions have been offset by an increase in the income received from the companies.
- A number of long term ill-health retirements were progressed during the year which was not anticipated when the original budget was set.

7. Premises - £0.100M Underspent

Following the direct employment of FM staff from October 2017 there was a reduction in the FM contract charge. This is offset by an increase in staff salaries reported under the Employees heading above.

8. Transport - £0.037M Overspent

Additional expenditure was incurred on the maintenance of national resilience assets, following a change to the Government process for this work being undertaken. The additional cost was offset by a Government grant.

9. Supplies and Services – £0.128M Underspent

A reduction in spending on a number of supplies and services budget headings has been achieved as a result of initiatives to reduce costs, together with strict control of non-essential items of expenditure.

10. Contingencies - £0.330M Underspent

The contingencies budget includes an allowance for firefighter apprentices and trainees and for inflation and pay awards which was not utilised. This is partially offset by the overspend on the employees heading.

11. Capital Financing - £0.821M Overspent

An additional revenue contribution to finance capital expenditure was made at the year end, which will reduce the need to borrow in future years.

12. Provisions - £0.098M Overspent

A provision has been made to cover the anticipated insurance excess costs following an on-going claim.

13. Government Grants - £0.846M In Excess of Original Budget

The level of Government grant credited to the revenue account exceeded the amount included in the original budget, due to additional amounts received in relation to the Emergency Services Mobile Communications Project (ESMCP) and the maintenance of national resilience assets. The balance of unspent government grant income at 31 March 2018 has been transferred to reserves.

14. Other Income - £0.783M In Excess of Original Budget

The increase in other income was due to the following:

- A contribution of £0.129M was received in respect of future Emergency Medical Response (EMR) provision which has been transferred to the Community Safety Reserve.
- Contributions totalling £0.444M were made to the service from the Community Interest Company and Vital Fire Solutions for work carried out by service employees and other supplies and services.
- Other income of £0.210M including investment interest and miscellaneous sales.

15. Transfers to/from(-) Earmarked Reserves - £0.589M In Excess of Original Budget

The following transfers to (+) / from (-) reserves took place at 31st March 2018:

Reserve	Opening Balance at 01/04/17	Transfer to Reserve	Transfer from Reserve	Closing Balance at 31/03/18
	£M	£M	£M	£M
General Reserve	2.824	-	-1.436	1.388
Earmarked Reserves				
Modernisation	1.821	1.000	-	2.821
Mobilisation System	0.363	-	-	0.363
Pensions	0.500	-	-	0.500
Community Safety	0.236	0.076	-	0.312
Insurance	0.250	-	-	0.250
National Resilience (Strategic Assets)	0.141	0.015	-	0.156
Resilience	0.100	0.400	-	0.500
ESMCP	0.334	0.625	-	0.959
New Risks (MTFA)	0.120	-	-0.052	0.068
Total Earmarked Reserves	3.865	2.116	-0.052	5.929
Total Reserves	6.689	2.116	-1.488	7.317

- **General Reserve -£1.436M**

Transfers were made to the Modernisation Reserve and the Resilience Reserve at the year end. Further details are provided below.

- **Modernisation Reserve +£1.000M**

A transfer of £1.000M was made to the Modernisation Reserve from the General Reserve at the year end to finance capital expenditure in future years. This transfer was set out in the reserves strategy which formed part of the 2018/19 budget report agreed at the meeting of the Authority on 13 February 2018.

- **Community Safety Reserve +£0.076M**

A net transfer of £0.076M was made to the Community Safety Reserve comprising of £0.129M of income received in respect of emergency medical response (EMR) provision offset by expenditure of £0.053M on the safer homes initiative.

- **National Resilience (Strategic Assets) Reserve +£0.015M**

A transfer of £0.015M was made to the National Resilience (Strategic Assets) Reserve in respect of the balance of unspent grant received to fund civil resilience expenditure.

- **Resilience Reserve +£ 0.400M**

A transfer of £0.400M was made to the Resilience Reserve from the General Reserve at the year end. The funds in this reserve have been set aside to meet any unforeseen costs which may arise associated with a business continuity event such as a prolonged period of industrial action or a significant operational incident over a prolonged period of time. This transfer was set out in the reserves strategy which formed part of the 2018/19 budget report agreed at the meeting of the Authority on 13 February 2018.

- **Emergency Services Mobile Communication System (ESMCP) Reserve +£0.625M**

A transfer of £0.625M was made to the ESMCP reserve in respect of grant income received in relation to expenditure which will be incurred in future years.

- **New Risks Reserve -£0.052M**

A transfer of £0.052M was made from the New Risks Reserve to the revenue account to finance expenditure incurred on protective equipment for the marauding terrorist firearms attack (MTFA) teams.

16. **Taxation and Non-Specific Grants - £0.021M In Excess of Original Budget**

The amount of grant received in relation to the business rates retention scheme was more than anticipated when the original budget was set.

Comparison of Capital Outturn with Budget

17. The total capital expenditure for 2017/18 was £0.390M compared with an original budget of £0.617M. The total underspend for the year was £0.227M. The reasons for significant variations from the budget are provided below and further details are set out in Appendix 2:

18. **Vehicles, Plant and Equipment - £0.147 Underspent**

The underspend was as a result of changes to the planned timing of the replacement of some items of capital equipment.

19. **Estates Improvement Programme £0.080M Underspent**

During the year a decision was taken not to proceed with planned alterations to the training centre which resulted in an underspend on this budget heading.

Conclusions

20. The comparison of revenue outturn with the original budget highlights a number of significant variances on individual budget headings. The overall underspending was mainly due to the early receipt of government grant relating to future years expenditure.

21. The underspend on the capital budget is due to changes to the planned replacement of some items of capital equipment together with a decision not to proceed with building alteration works at the training centre.

Recommendation

22. Members are **RECOMMENDED** to **note** the outturn position for the financial year ended 31 March 2018.

Appendix 1

FIRE AND RESCUE AUTHORITY REVENUE OUTTURN 2017/18

Budget Heading	Original Budget	Actual	Variance	
	£000	£000	£000	%
Expenditure				
Employees	20,669	21,332	663	3.20
Premises	2,704	2,604	-100	-3.70
Transport	611	648	37	6.14
Supplies & Services	4,089	3,961	-128	-3.13
Contingencies	330	-	-330	-100.00
Capital Financing	1,197	2,018	821	68.61
Provisions and Write-offs	-	98	98	100.00
Total Expenditure	29,600	30,661	1,061	3.58
Income				
Government Grants	-1,488	-2,334	-846	-56.85
Other Income	-346	-1,129	-783	-226.3
Total Income	-1,834	-3,463	-1,629	-88.82
Net Transfer to/from(-) Reserves	39	628	589	1,150.30
Net Expenditure	27,805	27,826	21	0.08
Taxation and Non-Specific Grant Income	-27,805	-27,826	-21	-0.08
Outturn	-	-	-	-

Variations follow this convention:

- + positive variance means an overspend or reduced income
- negative variance means an underspend or increased income

FIRE AND RESCUE AUTHORITY CAPITAL OUTTURN 2017/18

Budget Heading	Original Budget	Actual	Variance	
	£000	£000	£000	%
Vehicles, Plant and Equipment	367	220	-147	-40.05
Buildings – Minor Works	250	170	-80	-32.00
Total Expenditure	617	390	-227	-36.79

Variances follow this convention:

- + positive variance means an overspend
- negative variance means an underspend