

Status of Report: Public

Meeting: Corporate Governance Committee

Date: 12 September 2018

Subject: Financial Monitoring to end July 2018

Report by: The Treasurer

Author: Adam Stretton (Area Manager Finance, ICT and Data) and Philippa Brown (Senior Accountant and Head of Financial Operations)

For: Discussion

1. Purpose

This report presents the key issues arising from the revenue and capital budgets as at the end of July 2018 (Financial Period 4). The report also presents the results of the eighth year of trading for the Combined Fire Authority's (CFA) Occupational Health trading company, Forge Health Limited.

2. Recommendations

The Committee is asked to note the:

- a) revenue and capital budget position as at the end of July 2018; and
- b) the Forge Health Limited Directors' Report and Financial Statements 2017-18.

3. Executive Summary

- 3.1. The Combined Fire Authority (CFA) agreed the revenue and capital budgets for 2018/19 at its meeting on the 7 February 2018. Revenue (£248,000) and Capital (£2,509,000) carry forwards from 2017/18 were agreed by the CFA on the 20 June 2018. The carry forwards are included in the budget figures to this report.
- 3.2. This report indicates the current financial position compared against the updated 2018/19 Revenue Budget and the 2018/19 Capital Programme.
- 3.3. Forge Health Limited has generated a profit in its eighth year of trading which is being returned to the CFA by way of a dividend.

4. Report Detail

Revenue Budget

4.1 The budget figures have been updated to reflect the budget carry forwards agreed by the CFA on the 20 June 2018.

4.2 The updated revenue budget position as at the end of July 2018 is summarised in Table 1 below.

Table 1 - 2018/19 Revenue Budget	Annual Budget after Carry Forwards £000	Forecast Outturn £000	Forecast (Savings)/Overspend £000
Employees	25,790	25,790	0
Premises	2,366	2,406	40
Transport	1,006	988	(18)
Supplies and Services	3,422	3,512	90
Capital Financing	3,476	3,712	236
Total Expenditure	36,060	36,408	348
Controllable Income	(1,620)	(1,970)	(350)
Net Budget	34,440	34,438	(2)

4.3 The forecast identifies budget pressures that require the majority of the potential indicative net saving of £85,000 reported at the end of June 2018, leaving a forecast balanced position.

4.4 The following notes are issues currently highlighted:

i) Employees

- The firefighters' pay award from July 2017 and July 2018 is not yet fully resolved, although a 1% increase was paid in 2017/18. When an outcome is reached, the financial implications will be reviewed and reported. The budget provided for 2% in 2017/18 and a further 2% in 2018/19.
- Since June 2018, staffing levels have been below the operational establishment and will result in headline savings, although some offset is required for overtime to maintain availability of appliances.

- There will be additional staffing and recruitment costs due to the intention to employ an additional fifteen firefighters. An earmarked reserve is established to cover these costs.
- Additional ill health retirement costs are anticipated. These are payable to the Home Office to recompense them for additional pension costs as they fund the net cost of the firefighters' pension scheme. An earmarked reserve is held to cover the peaks and troughs in this budget, so there is no immediate impact on the revenue budget.

ii) Premises

- An additional £18,000 may be necessary for business rates although work is being undertaken on the CFA's behalf to challenge rateable values. The outcomes of any reviews will be quantified in future reports.
- Contract cleaning is anticipated to cost an additional £40,000 in 2018/19. This is due to inflationary increases above budget, an extension of cleaning activity to retained stations and increased requirements at Coalville, Lutterworth and Wigston stations.

iii) Transport

- The anticipated costs for operating lease rentals show a reduced requirement of £26,000. This is offset by a reduction of £8,000 in car leasing private mileage income as a result of reduced private use of cars provided to officers.

iv) Supplies and Services

- Operational equipment requires an increased one-off budget of £50,000 for the purchase of safety critical gas detection equipment and high rise equipment as a result of lessons learned from shared national operational learning.
- Investment of £40,000 has been made to enhance the Virtual Reality Training programme on fire investigation. Opportunities to receive development contributions and future sales are being explored.
- The initial review of Information Technology (IT) requirements also identified that forecast total IT costs in year may be up to £70,000 above the total current budget. These requirements are subject to further review and no additional costs are yet included in the forecast outturn.

v) Capital Financing

- The recent change in the bank base rate and increased levels of reserves have led to anticipated additional interest income of £17,000.

- Interest payments related to borrowing and finance leases are expected to be £12,000 less than budgeted.

vi) Income

- The additional income for the New Dimensions grant reported to the Corporate Governance Committee at its meeting in July 2018 has been utilised to consolidate variances into a net balanced position.

Capital Programme

4.5 The updated capital programme 2018/19 totals £5,625,000. This is summarised in Table 2 below.

Table 2	Programme after Carry Forwards	Adjustments Previously Agreed	Updated programme 2018/19	Forecast Outturn	Forecast (Savings)/ Overspend
2018/19 Capital Programme	£'000	£000	£000	£000	£000
Vehicles	2,152	0	2,152	2,152	0
Property	1,279	115	1,394	1,394	0
Fire Control Project	318	0	318	318	0
IT and Equipment	1,611	150	1,761	1,581	(180)
TOTAL	5,360	265	5,625	5,445	(180)

i) Property:

A number of significant projects are due to be completed in the next quarter. It is anticipated that there will not be any major variance in cost to the existing capital programme. £10,000 for the decommissioning costs at the temporary accommodation premises in use while Wigston Station is refurbished is likely to be carried forward to 2019/20.

ii) Vehicles:

Procurement advice is being sought on the new fire appliances, Tactical Response Vehicles and Aerial Ladder Platform. It is anticipated that completion of these projects will be in the next financial year and that the capital programme will slip to 2019/20. When the procurement route is determined, the amount that will be carried forward will be quantified.

iii) IT and Equipment:

Projects in this area are making progress although it is expected that not all will be completed by end March 2019. Some slippage into 2019/20 is likely.

New technology for breathing apparatus communication units is not yet fully tested by the supplier and it is unlikely that procurement will occur before the end of the

financial year. Slippage of £180,000 has been identified which could be used in the 2019/20 capital programme if technical progress is made.

Forge Health Directors' Report and Financial Statements 2017/18:

4.6 Forge Health Limited (the Company) is a private limited company wholly owned by the CFA, trading in Occupational Health services. The Company started trading in April 2010. The Assistant Chief Fire Officer (Service Delivery) and the Area Manager Finance and ICT are the Directors of the Company.

4.7 At the **Appendix** is the Directors' Report and Financial Statements for the period 1 April 2017 to the 31 March 2018. This illustrates that the Company made a profit of £61,080 (increased from £56,301 in 2016/17) after tax on the year's trading which is to be returned to the CFA by way of dividend.

5. Report Implications / Impact

5.1 Legal (including crime and disorder)

None.

5.2 Financial (including value for money, benefits and efficiencies)

These are included in the main body of the report.

5.3 Risk (including corporate and operational, health and safety and any impact on the continuity of service delivery)

Risks are identified and closely monitored throughout delivery of the budget. This enables early action to be taken to address any issues that arise.

5.4 Staff, Service Users and Stakeholders (including the Equality Impact Assessment)

None

5.5 Environmental

None.

5.6 Impact upon Our Plan Objectives

The Finance and Resources strategic aim of demonstrating value for money is supported by the effective monitoring and review of the revenue and capital budgets throughout the year.

6. Background Papers

Budget Strategy 2018/19 to 2020/21 (CFA 7 February 18)

<http://www.leicestershire-fire.gov.uk/wp-content/uploads/2016/06/item-08-budget-strategy-report-2018-19-to-2020-21.pdf>

Revenue and Capital Outturn 2017/18 (CFA 20 June 18)

<http://www.leicestershire-fire.gov.uk/wp-content/uploads/2016/06/revenue-and-capital-outturn-2017-18.pdf>

Financial Monitoring to end June 2018 (CGC 25 July 18)

<http://www.leicestershire-fire.gov.uk/wp-content/uploads/2016/06/financial-monitoring-to-end-june-18.pdf>

7. Appendix

Forge Health Limited Directors' Report and Financial Statements 2017/18

8. Officers to Contact

Adam Stretton, Area Manager Finance, ICT and Data

0116 229 2071

Adam.stretton@lfrs.org

Philippa Brown, Senior Accountant and Head of Financial Operations

0116 229 2093

Philippa.brown@lfrs.org

Alison Greenhill, Treasurer

0116 454 5552

alison.greenhill@leicester.gov.uk