

**AGENDA ITEM:**

<b>REPORT TO:</b>	<b>MERSEYSIDE FIRE &amp; RESCUE AUTHORITY MEETING</b>
<b>DATE:</b>	<b>27<sup>th</sup> JUNE, 2013</b>
<b>REPORT NO.</b>	<b>CFO/080/13</b>
<b>REPORTING OFFICER:</b>	<b>DEPUTY CHIEF EXECUTIVE</b>
<b>CONTACT OFFICER:</b>	<b>KIERAN TIMMINS, EXTN. 4202</b>
<b>OFFICERS CONSULTED:</b>	<b>IAN CUMMINS</b>
<b>SUBJECT:</b>	<b>REVENUE &amp; CAPITAL OUTTURN 2012/13</b>

<b>APPENDIX A</b>	<b>TITLE:</b>	<b>“REVENUE BUDGET TO ACTUAL ”</b>
<b>APPENDIX B</b>	<b>TITLE:</b>	<b>“QUARTER 4 WRITE OFFS”</b>
<b>APPENDIX C</b>	<b>TITLE:</b>	<b>“CAPITAL 2012/2013 OUTTURN”</b>
<b>APPENDIX D</b>	<b>TITLE:</b>	<b>“CAPITAL 2012/2013 – 2016/2017 PROGRAMME”</b>
<b>APPENDIX E</b>	<b>TITLE:</b>	<b>“EARMARKED RESERVES – PLANNED AND ACTUAL MOVEMENTS”</b>

**ATTACHED –HARD COPY**

**\*A Glossary of Terms has been provided at the end of this report for your reference**

Purpose of Report

1. To report upon the Authority’s year end financial position for 2012/13.

Recommendations

2. That Members:
  - (a) note the actual financial performance against the approved budget and the achievement of a net revenue saving in 2012/13 of £2.310million; and
  - (b) approve the proposal to utilise the one-off saving of £2.310m to fund future investment in firefighter safety, business re-engineering; equality and disability access and create reserves accordingly.

## Executive Summary

The Authority faced a potential £9m budget deficit over the period 2011/12 – 2012/13, mainly due to a 13.5% cut in Government Grant. The Grant cut was over double the national average for English Fire and Rescue Services. The Authority approved a robust financial plan to meet the deficit.

The approved revenue budget in 2012/13 was £69.748m. Having recognised the likely future financial challenges facing the public sector Members instructed Officers to try and further maximise savings in the year and deliver efficiencies as early as possible.

The final accounts of the Authority have now been completed prior to audit and a £2.310m saving has been delivered. This report proposes that the additional revenue saving of £2.310m be allocated to meet some anticipated future service investment requirements;

	£'m
Equality/DDA reserve	0.510
Firefighter Safety reserve	1.000
Facing the future reserve	0.800

The Authority has an approved strategy of building up reserves in order to provide a short-term buffer while it re-engineers the service; as a hedge against risk; and to avoid compulsory redundancy if possible.

The General Fund balance remains as anticipated at £2.894m.

Capital spending was £8.010m resulting in a variance of £3.528m against the £11.538m budget for 2012/13. The variance can be broken down into:

- A £3.460m re-phasing of planned spend from 2012/13 into 2013/14, requiring the carry forward of capital budget into 2013/14,
- A net underspend and saving on capital projects of £0.068m

## Introduction & Background

3. The Accounts and Audit (England) Regulations 2011 give the responsibility for signing off the unaudited statement of accounts to the responsible finance officer, who in MFRA is the Deputy Chief Executive (DCE). The DCE must sign off the statement no later than 30<sup>th</sup> June immediately following the year-end. The DCE has now signed off the 2012/13 statement of accounts (prior to audit) and certified that they represent a true and fair view of the financial position of the Authority. The Authority is still required to consider, approve and sign off the statement of accounts for publication by 30<sup>th</sup> September. The benefit of the change in procedure is that it allows members to take into account any comments from the Auditor

following the completion of their audit before members consider the statement of accounts.

4. This report sets out the actual financial performance of the Authority compared to the approved 2012/13 revenue and capital budgets. Although Members are not required to consider or sign off the unaudited statement of accounts at this time copies of the statement can be made available for Members inspection.

#### **2012/13 Budget – Background**

5. The Authority faced a £9m budget deficit over the period **2011/12 – 2012/13**, mainly due to a 13.5% cut in Government grant. The grant cut was over double the national average for English Fire and Rescue Services. The Government grant, (which makes up over 60% of the Authority's revenue funding) was cut by 9.5% in 2011/12 and a further 3.5% in 2012/13.
6. The Authority's approved financial plan had assumed council tax increases of no more than 4%. The Authority increased council tax by 4% or £2.59 for a band D property in 2012/13.
7. To deliver the required level of savings implied by this funding reduction the Authority acknowledged that as staff costs make up nearly 80% of its revenue budget then it would have to reduce the number of its staff. At the same time the Authority was and is committed to avoiding compulsory redundancies and to seeking to minimise the impact of cuts on service levels to the communities of Merseyside.
8. The Authority adopted a medium term financial plan which included:-
  - An assumption that central governments pay strategy for the public sector can be achieved and that there would be a pay freeze for all staff in line with that strategy for a three year period, (2010/11 to 2012/13).
  - An assumption that the Authority would generate efficiencies from management and back office costs of £2.450million.
  - An assumption of reduced staffing in MACC to save £0.4m
  - Assuming cuts that minimise the impact on front line services by;
    - Introducing a new duty system for the Marine Rescue team
    - Managing more effectively the dynamic reserve (A reduction of the immediate availability of 5 appliances)
    - Introducing a new duty system at Whiston
  - Assumptions of a Council tax increase in 2012/13, and future years, of 4%.

These savings options represent a 20% reduction in managerial and back office roles and a 10% reduction in wholetime firefighter roles – a total reduction of 173.5 posts.

9. The Authority Revenue Budget for 2012/13 was set at £69.7million.
10. The Authority also set a five year capital investment programme, (2012/13 – 2016/17), of £30.271m, with a planned expenditure in 2012/13 of £10.604m.

11. The Authority adopted a Reserves Strategy, which maintains a general reserve of £4.684m and maintained £9.466m of earmarked reserves to cater for specific risks, fund specific projects and one-off initiatives.
12. The most demanding aspect of the approved financial plan was the achievement of the approved saving options plan;

<b>Progress in allocating out Phase 1 Approved Saving Options</b>					
	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Complete:</b>					
Assume Pay Bill Freeze 2010/11	-1,000	-1,000	-1,000	-1,000	-1,000
Assume Pay Bill Freeze 2011/12	-1,000	-1,000	-1,000	-1,000	-1,000
Assume Pay Bill Freeze 2012/13	0	-1,000	-1,000	-1,000	-1,000
Reduction in Support Service Costs	-900	-1,300	-1,300	-1,300	-1,300
Review of Capital Programme Financing	-400	-400	-400	-400	-400
Rephasing of Vehicles Capital Programme	0	-100	-100	-100	-100
Manage dynamic reserve more effectively	-1,800	-2,300	-2,950	-2,950	-2,950
Reduce Senior Management Costs	-200	-400	-400	-400	-400
MACC Review	-200	-400	-400	-400	-400
Flexible Shift Patterns at Marine 1	0	-75	-100	-100	-100
	<b>-5,500</b>	<b>-7,975</b>	<b>-8,650</b>	<b>-8,650</b>	<b>-8,650</b>
<b>Approved Saving Options yet to be finalised:</b>					
Outsource Estates function	0	-250	-250	-250	-250
Flexible Shift Patterns at Whiston	0	-300	-300	-300	-300
<b>TOTAL</b>	<b>-5,500</b>	<b>-8,525</b>	<b>-9,200</b>	<b>-9,200</b>	<b>-9,200</b>

13. Two savings were approved as part of the Authority's medium term financial plan (MTFP) that have not yet been fully delivered within the original timeframe;
  - Revised Duty System at Whiston – members considered report CFO/091/12 at the Authority meeting on 3<sup>rd</sup> July 2012, and approved in principle the creation of a combined blue light centre at Prescott, with the two pump fire station element to replace the one pump stations at Huyton and Whiston. Although the scheme is unlikely to reach fruition until late 2014 the required savings of £0.300m will be delivered in any case (in cash terms) as firefighter retirements continue in line with that expected. The scheme is being reviewed as part of an overall review of assets in light of likely further future spending cuts. The final proposal for the scheme is expected to come before Members for approval during 2013/14.
  - Outsourced Estates function – This option is currently being re-evaluated as potential alternative options are being considered and evaluated due to:-
    - (a) Internal restructuring of the cleaning services team, which are already delivering permanent savings of £0.1m per annum.
    - (b) The volume of building work especially in relation to Joint Control.

14. In addition the assumed pay bill freeze in 2012/13 was not delivered as firefighters and control staff received a 1% pay increase with effect from July 2012. The full year cost of this award was estimated at £0.400m. The cost of the award was contained within the overall budget in 2012/13 as additional one-off savings were identified during the year. The Authority approved permanent savings during the 2013/14 budget process to offset the cost of the 2012/13 pay award in future years.

**How the 2012/13 Budget changed during the year**

15. Throughout the year Members received regular financial review reports detailing the service's progress in implementing the approved saving options, any additional budget amendments required, plus the movements from and to reserves.
16. Further minor budget amendments have been made since the last financial review report, CFO/124/13, was approved by the Authority on 26<sup>th</sup> February 2013, that reflect already approved policy decisions these were:

**Revenue:**

- The further use of £0.282m from reserves to the revenue budget, ( £0.098m from the severance reserve to fund voluntary early retirement and voluntary severance costs, and £0.141m from the Ill Health reserve to reflect the cost of retirements in the year);
- The carry forward of the PFI grant in a reserve to reflect the actual timing of payments, £1.420m
- A number of self-balancing virements within the revenue account.

**Capital:**

- A small increase of £0.014m in the capital budget for the portal and emerging technologies (social media access) ICT projects, funded by revenue contributions to capital.

The tables below show how the overall budget has changed across the year:

**REVENUE BUDGET MOVEMENTS IN 2012/13**

	Original Budget	Approved Qtr 3 Budget	Further Budget Amendments	Final Budget	Original to Final Budget Movement
	£'m	£'m	£'m	£'m	£'m
<b>Net Expenditure</b>					
Fire Service	68.937	69.375	-1.138	68.237	-0.700
Corporate	0.589	0.614	0.000	0.614	0.025
	69.526	69.989	-1.138	68.851	-0.675
Interest on Balances	-0.232	-0.050	0.000	-0.050	0.182
Inflation Provision	0.945	0.238	0.000	0.238	-0.707
Contribution From Gen Fund	0.000	-1.790	0.000	-1.790	-1.790
Contribution (from) to Reserves	-0.491	1.361	1.138	2.499	2.990
<b>Total Expenditure</b>	69.748	69.748	0.000	69.748	0.000
<b>Funded By</b>					
Government Grant	-41.162	-41.162	0.000	-41.162	0.000
Precept	-28.586	-28.586	0.000	-28.586	0.000
	-69.748	-69.748	0.000	-69.748	0.000

### CAPITAL BUDGET MOVEMENTS IN 2012/13

	Original Budget	Approved Qtr 3 Budget	Further Budget Amendments	Final Budget	Original to Final Budget Movement
	£'m	£'m	£'m	£'m	£'m
Total	10.604	11.524	0.014	11.538	0.934
Funding:					
Specific	2.033	6.334	0.067	6.401	4.368
Borrowing	8.571	5.190	-0.053	5.137	-3.434
	10.604	11.524	0.014	11.538	0.934

### Financial Performance in the Year;

#### **2012/13 Revenue Outturn Position:**

17. The table below summarises the revenue position for 2012/13, (**Appendix A** provides a more detailed analysis):

Expenditure / Income Analysis	Budget	Actual	Variance	Year-End Specific Project ER	Adjusted Variance
	2012/13	2012/13	2012/13		
	£'000	£'000	£'000	£'000	£'000
<b><u>EXPENDITURE</u></b>					
<b>Fire Service</b>					
Employee	54,039.3	53,523.4	-515.9	557.2	41.3
Premises	3,034.6	2,704.5	-330.1	10.0	-320.1
Transport	1,648.0	1,582.4	-65.6	0.0	-65.6
Supplies & Services	4,414.4	3,414.0	-1,000.4	178.3	-822.1
Agency	3,477.2	3,444.7	-32.5	0.0	-32.5
Central / Capital	7,757.7	7,486.7	-271.0	0.0	-271.0
	74,371.2	72,155.7	-2,215.5	745.5	-1,470.0
Income	-6,136.0	-6,867.4	-731.4	401.9	-329.5
	68,235.2	65,288.3	-2,946.9	1,147.4	-1,799.5
<b>Corporate Mgt</b>	615.9	547.8	-68.1	0.0	-68.1
<b>Interest Receivable</b>	-50.0	-254.6	-204.6	0.0	-204.6
<b>Inflation Provision</b>	237.8	0.0	-237.8	0.0	-237.8
<b>Net Cost of Services</b>	69,038.9	65,581.5	-3,457.4	1,147.4	-2,310.0
<b>Movement to/from reserves</b>	2,499.2	5,956.2	3,457.0	-1,147.4	2,309.6
<b>General Fund movement</b>	-1,790.1	-1,790.1	0.0	0.0	0.0
<b>Total Net Operating Expenditure</b>	69,748.0	69,747.6	-0.4	0.0	-0.4
<b><u>FUNDING:</u></b>					
Council Tax	-28,481.0	-28,480.8	0.2	0.0	0.2
Surplus/deficit on the collection Fund	-105.0	-104.7	0.3	0.0	0.3
Central Government Funding	-41,162.0	-41,162.1	-0.1	0.0	-0.1
	-69,748.0	-69,747.6	0.4	0.0	0.4
<b>(SURPLUS)/DEFICIT FOR THE YEAR</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

18. Overall the Authority underspent on its revenue services budget by £3.457m. However, £1.147m was identified as being as a result of timing issues for projects and grant schemes. Therefore specific earmarked reserves have been created to cover the phasing of this planned future spend. £2.310m reflects the continuing drive by the service to maximise savings in the year in light of the financial challenge ahead, and these savings are analysed later on in this report. Members are asked to support the proposal to utilise the £2.310m to allocate to three specific potential investments;

- Equality/DDA reserve, £0.510m; following a recent station access audit the service needs to carry out some works to ensure all its property portfolio is compliant with current regulations. Officers are preparing a report on this matter.
- A Firefighter Safety reserve, £1.000m; Officers are currently reviewing the training facilities at the TDA to determine if they are fit for purpose and considering the potential future for investment in breathing apparatus. This reserve will help contribute towards any funding shortfalls and therefore potentially avoid future additional borrowing.
- “Facing the future” reserve, £0.800m; The report by Sir Ken Knight “Facing the Future” has outlined potential business re-engineering and investment options fire authorities may want to consider. This reserve can contribute towards any investments or changes arising from the Sir Ken Knight review.

19. The main variations explaining the underspending of -£2.310m were :

**Employee Costs, £0.041m (0.01%) variance –**

Variation £'m	Explanation
-0.728	Effective Vacancy Management
-0.200	Employee Training Costs
0.282	Employee Insurance costs
0.195	Cost of Early Retirement
-0.065	Other minor variances
	Year-end specific reserves;
0.496	Cost of Ill Health retirements (charged in year rather than spread over a longer period)
0.061	Various project reserves
<b>0.041</b>	

- **Vacancy Management**; in light of the pending financial challenge vacant green book posts have not actively filled resulting in a £0.728m saving.
- **Training Costs**; officers have been reviewing the training needs of staff throughout the year and the revised phasing of training programme has resulted in a £0.200m saving in the year.
- **Employee Insurance**; Provision for the cost of meeting the Authority’s share of a mesothelioma claim in the year in addition other uninsured claims resulted in the overspend.
- **Cost of Early Retirement**; As part of the voluntary staff reduction scheme some staff have been eligible to access their pensions early

resulting in a one-off pension strain charge to the Authority. As the cost could be contained within the overall employee budget rather than drawing down on reserves.

- **Ill Health Retirement;** Ten firefighters left the service in the year via ill health retirements as a consequence of becoming permanently disabled for undertaking their roles as a firefighter. The Authority must contribute a fixed amount to the pension fund for each retirement but it can spread the cost over a three year period. An increase in the ill health earmarked reserve of £0.496m to cover the penalty charge over the next two years.

**Premises Costs, £0.320m (10.5%) favourable variance –**

- The phasing of the PFI unitary payments is such that a one-off saving of £0.245m has arisen as the final approved station completion programme is slightly later than that in the budget. Small overspends on the electricity and rates budgets were offset by savings on routine maintenance and water charges.

**Transport Costs, £0.066m (04.0%) favourable variance –**

- A saving on diesel, £0.057m.

**Supplies and Services, £0.822m (18.6% of budget) favourable variance–**

Variation £'m	Explanation
-0.066	Reduced Fire Prevention supplies
-0.076	Effective Management of Clothing and Uniform issues
-0.223	Services/Professional Fees
0.178	Year-end project reserves
-0.157	ICT and Telephony
-0.478	Other minor variances
<b>-0.822</b>	

- **Fire Prevention Supplies / Uniforms / ICT & Telephony;** in light of the pending financial challenge officers have prudently managed expenditure to deliver these one-off savings.
- **Service / Professional Fees;** the service budgets for some professional services that cannot be carried out in-house, Counsel advice, Special Investigations, Specific Technical Project support (PFI). This work is subject to varying levels of activity each year and in 2012/13 the level of support required was managed to a minimum resulting in a £0.223m saving.
- **Other minor variances;** a large number of small underspendings in controllable budget lines such as administrative costs, training, cleaning supplies; travel, subsistence, and subscriptions; and printing and stationery.

**Agency Services, £0.032m (0.9%) favourable variance.**

**Central Services, £0.012m (5.0%) favourable variance.**



**Capital Financing, £0.259m (3.4%) favourable variance-**

- Robust management of the Authority’s cashflow combined with the re-phasing of some capital schemes into future years meant the need for new borrowing was not required and resulted in a one-off saving on interest payments of £0.256m.

**Income, £0.330m (5.4%) additional income above budget-**

- The main reason for the variance was due to secondment income being higher than budgeted by £0.327m.

**Corporate Management, £0.068m (-11.1%) favourable variance**

- Following the ending of comprehensive area assessments and a “lighter” external audit requirement, partly in response to the Authority’s excellent financial record, the audit fee was reduced and as a consequence resulted in a £0.029m saving. A reduction in members subsistence, travelling and accommodation costs delivered a further £0.023m saving.

**Inflation Provision, £0.238m favourable variance**

- In the first instance any inflationary increase in non-employee costs is expected to be contained within the relevant department’s controllable budget before any request is made to cover rising costs from the inflation provision. This approach has delivered a saving on the inflation provision of £0.238m.

**Interest and Investment Income, £0.205 favourable variance**

- The receipt of some funding in advance of expenditure in relation to PFI and capital grants combined with the level of reserves being held has led to an increase in investment income above that budgeted of £0.265m.

**2012/13 Movement on Reserves**

20. The Authority receives grants and external funding during the year to deliver specific projects. Because these sometimes span financial years, this necessitates the carry forward of the funding through creation of earmarked reserves. Also any potential liabilities arising in the year or previous year for which the Authority is required to set aside a contingency will also require the creation of a reserve. At the end of 2012/13 £1.147m of earmarked reserves have been established in relation to these issues in summary these are:

	<b>Increase £'m</b>
Capital;ICT – New Fire Safety System	0.055
Increase in FSN SLA for HFSC work	0.053
Capital Equipment; fitness/accommodation	0.056
Ill Health Firefighter Pension Penalty	0.496
Innovation Fund	0.024
New Dimensions	0.240
Other	0.120
Other Grant/Income/ Ext Contributions	0.103
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	1.147

(More details are available in the unaudited statement of accounts)

21. This report proposes that the one-off additional revenue saving of £2.310m be used to create three new reserves;

	£'m
Equality/DDA reserve	0.510
Firefighter Safety reserve	1.000
Facing the future reserve	0.800

No specific provision is made for dynamic staffing issues like the use of additional voluntary hours. It is expected that the Chief Fire Officer will work closely with the Deputy Chief Executive across the year to balance the conflicting demands of:

- Optimising appliance availability
- Maximising savings and reserves in light of future financial challenges

However it is anticipated that close management of the budgetary position should be able to free up resources to support investment in such flexible working of around £0.8m in 2013/14

22. As part of the 2013/14 budget report, CFO/025/13, members consider the current reserves strategy and as part of that review and in light of the perceived risks facing the Service the General Fund was reduced from £4.684m to £2.894m. As at 31<sup>st</sup> March, 2013, the General Fund stands at £2.894m.
23. A detailed analysis of the planned and actual movement on reserves in 2012/13 has been prepared and is attached as **Appendix E** to this report. The table below summarises the revised reserve balances if members support the above proposal:

	Opening Balance	Anticipated Closing Balance	Actual Closing Balance	Variation to that Anticipated	Explained By:	
					Specific Projects continuing into Year 2	Year-End Saving Funded New Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Total Earmarked Reserves	17,126	19,625	23,082	3,457	1,147	2,310
General Revenue Reserve	4,684	2,894	2,894	0	0	0
Total Reserves	21,810	22,519	25,976	3,457	1,147	2,310

**Qtr 4 Bad Debt Write-Offs:**

24. Since the last financial review eight low value unrecoverable debts have been written off by the Deputy Chief Executive under delegated powers, totalling £5,729. Details of the write-off amounts are attached at **Appendix B**.

**2012/2013 Capital Spending**

25. The Authority current capital budget for 2012/13 was £11.538m, the detailed 2012/13 programme and the 5 year programme are outlined in **Appendix C** and **D**.

26. Actual spending in the year was £8.010m, a net variation of £3.528m against the final budget of £11.538m. , of which £3.987m was due to rephasing of planned 2011/12 expenditure into 2012/13. The variance can be broken down into:

- A £3.460m re-phasing of planned spend from 2012/13 into 2013/14, requiring the carry forward of capital budget into 2013/14,
- A net underspend and saving on capital projects of £0.068m

A summarised capital programme outturn position statement is outlined below:

### **2012/13 Capital Programme Summary of Changes to Expenditure & Funding**

<b>Programme</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Expenditure</b>	<b>Year-end Re-phasing from 2011/12 into 2012/13</b>	<b>Variance after Re-Phasing Adjustment</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
<b>EXPENDITURE</b>					
Building/Land	5.246	8.383	5.741	2.756	0.114
Fire Safety	1.752	0.998	0.835	0.000	-0.163
ICT	0.826	1.282	0.895	0.382	-0.005
Operational Equip & Hydrants	0.577	0.428	0.190	0.224	-0.014
Vehicles	2.203	0.447	0.349	0.098	0.000
Contingency	0.000	0.000	0.000	0.000	0.000
<b>TOTAL</b>	<b>10.604</b>	<b>11.538</b>	<b>8.010</b>	<b>3.460</b>	<b>-0.068</b>
<b>FINANCING</b>					
Capital Receipts	0.470	0.625	0.612	0.000	-0.013
Revenue Contribution	1.000	0.770	0.687	0.000	-0.083
Capital Investment Reserve	0.000	1.267	1.267	0.000	0.000
Grants	0.413	3.522	3.668	0.000	0.146
External Contributions	0.150	0.218	0.214	0.000	-0.004
Unsupported Borrowing	8.571	5.136	1.562	3.460	-0.114
<b>TOTAL</b>	<b>10.604</b>	<b>11.538</b>	<b>8.010</b>	<b>3.460</b>	<b>-0.068</b>

27. The year-end re-phasing of schemes into 2013/14 is outlined in the table below:

<b>Re-phasing £'m</b>	<b>Scheme</b>	<b>Explanation</b>
0.619	Marine Rescue	Awaiting Duchy of Lancaster to grant approval to lease before payment is released.
0.537	LLAR Accommodation Formby	Land acquired May 2013, project expected to commence and complete in 2013
0.511	St Helen's Conversion	Put on hold due to capacity issues as staff engaged in other major schemes and asset review.
0.250	SHQ JCC	Slight delay in scheme commencement due to need to finalise project detail with partners.

0.839	Property Refurbishment	Variety of Smaller schemes
0.382	ICT Schemes	Mainly delay in procurement of Hardware/Software as service seeks to gain savings by packaging tender document in a way to deliver best VFM. Proceeding with spend this year.
0.098	Vehicles	Minor delays in purchasing some ancillary and specialist vehicles
0.224	Operational equipment	Minor variations on a number of schemes
<b><u>3.460</u></b>		

28. There was a small overspending on the Toxteth FireFit Hub of £0.1m (1.5%) reflecting additional security requirements suggested in conjunction with the police.
29. A number of small variances materialised on some schemes and in total the programme had a £0.068m underspend.
30. A full detailed breakdown of the 2012/13 capital budget movements, year-end variances and proposed slippage can be found attached to this report as Appendix C.

#### Equality & Diversity Implications

31. Resources are invested to support equality and diversity.

#### Staff Implications:

32. Approximately 80% of expenditure is directly staff related.

#### Legal Implications:

33. None arising from this report.

#### Financial Implications & Value for Money

34. Subject to members approving the proposed use of the £2.310m underspend on the revenue account to create the three new specific reserves as proposed in this report, the final revenue position can be summarised as:

### 2012/13 Revenue Year-End Position

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
Net Expenditure on Services	69.748	66.291	-3.457
Contribution to Year-End Project Reserves		1.147	1.147
Creation of 3 new reserves		2.310	2.310
	69.748	69.748	0.000

35. The Authority has an approved strategy of building up reserves in anticipation of future funding cuts and the creation of the year-end reserves is consistent with this strategy.
36. Capital spending was £8.010m resulting in a variance of £3.528m against the £11.538m budget for 2012/13. The variance can be broken down into:
- A £3.460m re-phasing of planned spend from 2012/13 into 2013/14, requiring the carry forward of capital budget into 2013/14,
  - A net underspend and saving on capital projects of £0.068m
37. The General Fund Balance as at 31 March 2013 was as anticipated, £2.894m.

#### Health & Safety & Environmental Implications

38. None arising from this report.

#### Contribution to Our Mission – To Achieve; Safer Stronger Communities – Safe Effective Firefighters”

39. The achievement of actual expenditure within the approved financial plan and delivery of the expected service outcomes is essential if the Service is to achieve the Authority’s mission.

### **BACKGROUND PAPERS**

Report CFO/033/12 “MFRA Budget and Financial Plan 2012/2013-2016/2017” Authority 16th February 2012.

Report CFO/089/12 “Revenue Outturn 2011-2012” Authority 3 July 2012.

Report CFO/138/12 “Financial Review 2012/13 April to June” Policy & Resources Committee 27 September 2012.

Report CFO/160/12 “Financial Review 2012/13 April to September” Authority 04 December 2012.

### **Glossary of Terms**

**CAPITAL EXPENDITURE (or capital spending)** – Section 40 of the *Local Government and Housing Act 1989* defines ‘expenditure for capital purposes’. This includes spending on the acquisition of assets either directly by the Authority or indirectly in the form of grants to other persons or bodies. Expenditure that does not fall within this definition must be charged to a revenue account.

**RESERVES** -Amounts set aside to meet future contingencies but whose use does not affect the Authority’s net expenditure in a given year. Appropriations to and from reserves may not be made directly from the revenue account.

**REVENUE EXPENDITURE** -This is money spent on the day-to-day running costs of providing services. It is usually of a constantly recurring nature and produces no permanent asset.