



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	DSFRA/09/12
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY
DATE OF MEETING	27 MAY 2009
SUBJECT OF REPORT	FINANCIAL OUTTURN FOR 2008/2009
LEAD OFFICER	Treasurer
RECOMMENDATIONS	<p>(a) <i>That, of the total underspend of £0.759m against the 2008/2009 revenue budget, it be noted that an amount of £0.297m is required to be carried forward to 2009/10 to fund incomplete schemes as outlined in paragraph 11.1 of this report;</i></p> <p>(b) <i>that, from the remaining underspend of £0.462m, an amount of £0.300m be transferred to Earmarked Reserves to fund the spending issues identified in paragraph 12.3 of this report;</i></p> <p>(c) <i>that the remaining balance of the revenue underspend of £0.162m be transferred to the General Reserve;</i></p> <p>(d) <i>that the capital determinations in relation to the funding of capital spending in 2008/2009, as provided in paragraph 18.1 of this report, be approved.</i></p> <p>(e) <i>that, subject to (a) to (d) above, the position in respect of the 2008/2009 Revenue and Capital Outturn, as indicated in this report be noted.</i></p>
EXECUTIVE SUMMARY	<p>This report provides the financial outturn position for 2008/2009, for both revenue and capital spending, and makes recommendations as to how variances from budget are to be dealt with.</p> <p>The figures included in this report are provisional at this stage, subject to the audit of the Accounts in July 2009.</p>
RESOURCE IMPLICATIONS	As indicated within the report.
EQUALITY IMPACT ASSESSMENT	No potentially negative impact sufficient enough to warrant a full impact assessment has been identified in the content of this report.
APPENDICES	A. Provisional Revenue Outturn Position 2008/2009.

	B. Summary of Reserve and Provision Balances at 31 March 2009
LIST OF BACKGROUND PAPERS	None.

1. INTRODUCTION

- 1.1 The purpose of this report is to provide Members with the final outturn position (subject to audit) for revenue and capital spending for the financial year 2008/2009, and to decide on how any variance from budget is to be dealt with. This report is in two parts, Section 1 deals with the revenue outturn position, and Section 2 deals with the position as regards capital spending.

2. SECTION 1 – REVENUE OUTTURN 2008/2009

- 2.1 This section of the report provides Members with the final outturn position for 2008/2009 in relation to revenue spending. Appendix A to this report shows revenue spending in 2008/2009 to be £69.543m against a net revenue budget of £70.302m, giving an underspend of £0.759m, equivalent to 1.08% of the total budget.
- 2.2 This final outcome is broadly in line with what had been projected throughout the year, as reported to each meeting of the Resources Committee. It had been identified that savings would be achieved from wholetime pay costs, in particular, as a consequence of an unexpected high number of vacancies from retirements. Savings from retained pay costs had also been projected mainly as a consequence of fewer fire calls. Appendix A provides a breakdown of spending and variations against all approved budget lines. It is inevitable that there will be variations against individual lines due to changing circumstances during the year, the volatility of some budgets e.g. retained pay costs, and the fact that this is only the second year's budget for the new combined authority. More detailed explanations of the major variations against budget lines are provided below in paragraphs 3 to 10.

3. EMPLOYEE COSTS

Wholetime Pay

- 3.1 Spending against wholetime pay costs is £0.458m less than budget, equivalent to just 1.42% of the wholetime pay budget. As reported to the 12 September 2008 meeting of the Human Resources Management and Development Committee, the Service was well below establishment during the year, some of which was planned to facilitate Phase 2 of the introduction of dual crewing of the aerial appliances. In addition, the number of vacancies has increased as a consequence of a higher number of retirements than anticipated.

Retained Pay

- 3.2 As the majority of retained firefighters are paid on a 'pay-as-you-go' basis, this budget line can be susceptible to volatility dependent on the number of fire calls during the year. It is pleasing therefore that 2008/2009 has been a relatively low year in terms of fire activity contributing to an underspend against retained pay costs of £0.238m. In addition, the number of retained firefighters opting to join the new Firefighter Pension Scheme is less than had been anticipated resulting in reduced employer's pension contributions.

Control Room Staff

- 3.3 Whilst spending against pay costs for control room staff is reported as £0.196m more than budget, it should be emphasised that the majority of this overspend (£0.129m) is matched by new burdens grant income (line 29 on Appendix A), to fund those additional control room staff recruited as part of the Initial Staff Pool (ISP) project during the transition period prior to cut-over to the Regional Control Centre (RCC). The remaining overspend reflects the need to maintain cover during a period of high long-term sickness levels.

Non-Uniformed Pay

- 3.4 Whilst spending against the budget line for non-uniformed staff reports only a small saving of £0.050m, it should be noted that the spending figure reported includes a Provision made of £0.292m in relation to the outcome of the implementation of the Job Evaluation process. It is anticipated that the process will be completed in the coming months, which will include back-dated arrears to April 2007. Details of total Provisions made are included in Appendix B - A Summary of Reserve and Provision Balances.

Fire Service Pensions

- 3.5 Fewer ill-health retirements than anticipated has resulted in a saving against fire service pension costs of £0.112m.

4. PREMISES RELATED COSTS

Repair and maintenance

- 4.1 As a consequence of slippage in spending on a small number of approved projects, this budget line is underspent by £0.141m. Due to the need to secure funding for the completion of these projects it is proposed in paragraph 11.2 of this report, that the majority of this underspend is transferred to an earmarked reserve.

Energy Costs

- 4.2 As a consequence of significant increases in utility costs, over and above what had been budgeted, additional spending of £0.167m has been incurred on utility costs.

5. TRANSPORT RELATED COSTS

Running Costs and Insurances

- 5.1 The main reason for an overspend of £0.106m against this budget line is as a consequence of the need to change insurance provider during the year following the cessation of trading of the mutual insurance company (FRAML). This resulted in the authority not receiving a full refund of unused premiums due to the Financial Services Authority (FSA) requirement that some monies were to be held by FRAML to cover any future claims.

Travel and Subsistence

- 5.2 The significant increases in fuel costs during 2008, over and above what had been budgeted for, is the main reason for an overspend of £0.185m against this budget line.

6. SUPPLIES AND SERVICES

Equipment and Furniture

- 6.1 Whilst spending on equipment and furniture is £0.230m more than budget it should be emphasised that the majority of this figure relates to training equipment and consumables required to cover additional courses, and the purchase of equipment to support the Urban Search and Rescue Team (USAR), which is more than offset by matching external training income and the Department for Communities and Local Government (CLG) New Dimensions grant (line 29 and 30 of Appendix A).

Catering

- 6.2 Whilst the costs of providing meals to training courses at the Service Training Centre are more than had been budgeted for, this reflects the increased number of courses held during the year, and is offset by the increased training income achieved from external organisations.

7. ESTABLISHMENT COSTS

Insurances

- 7.1 As has previously been highlighted in paragraph 5.1 above, the cessation of trading of FRAML has resulted in the authority having to change insurance provider during the year, resulting in some additional premiums.

8. PAYMENTS TO OTHER AUTHORITIES

Support Service Contracts

- 8.1 The main reason for an underspend against this budget line is as a result of a reduction in external Personnel support services due to the Service now having more internal human resources expertise in place. In addition, the actual fees from the Audit Commission were less than had been budgeted, following a consultation exercise relating to an appropriate level of increase.

9. CAPITAL FINANCING COSTS

Capital Charges

- 9.1 As has been reported to the Resources Committee throughout the financial year, slippage against the capital programme, for both 2007/2008 and 2008/2009, has resulted in savings against capital financing costs. The final position is that debt charges for 2008/2009 are £0.404m less than that budgeted.

Revenue Contribution to Capital Spending

- 9.2 The savings on debt charges from capital spending slippage has enabled further capital spending to be financed direct from revenue therefore avoiding the need to borrow. A total of £0.406m has been utilised in this way to fund the replacement of obsolete Breathing Apparatus cylinders (£0.170m), the purchase of vehicles which had originally been leased and have come to the end of the primary period (£0.211m), and the purchase of oil bunded storage containers at each of the mechanical workshops (£0.025m).

10. INCOME

Treasury Management Investment Income

- 10.1 Whilst recent reductions in interest rates have had a detrimental impact on investment income on working balances, income targets for this year have been exceeded by £0.148m as a consequence of higher levels of working balances available for investment purposes, primarily caused by slippage in the cash spending profile of the major capital projects.

Grants and Reimbursements

- 10.2 The increased level of grant income of £0.310m relates to the release, from the CLG, of further New Dimensions grant monies to fund USAR activities, and New Burdens grant to fund costs associated with the transition to the RCC.

Other Income

- 10.3 Additional income of £0.292m has been achieved, over and above income targets, primarily as a consequence of additional training income from the delivery of recruit training for other Fire Services. In addition, the Service has recently signed a Memorandum of Undertaking with the Westcountry Ambulance Trust (WAT) relating to the co-responder arrangements, which has resulted in additional income from the WAT, based on performance levels.

Contributions to/from Reserves

- 10.4 At its meeting on 3 October 2008, the Resources Committee resolved to recommend that, in light of the projected underspend position, the contribution from the General Reserve of £0.153m, originally agreed as part of the of the budget setting process for 2008/2009, should be retained in the General Reserve (Minute RC/10(a) refers). This was subsequently approved by the Authority at its meeting on 23 October 2008 (Minute DSFRA/48(e)(i) refers). Additionally, at its meeting on 8 December 2008 the Committee resolved to recommend that an amount of £0.175m of the underspend be transferred to an Earmarked Reserve to provide funding for the costs associated with the decommissioning of existing radio systems following the implementation of the national radio scheme Firelink (Minute RC/14(a)(ii) refers). This was subsequently approved by the Authority at its meeting on 18 December 2008 (Minute DSFRA/63(d)(i) refers).

11 CARRY FORWARDS FROM 2008/09 TO 2009/10

- 11.1 It should be noted that included in this underspend figure is an amount of £0.297m relating to delays in spending on some committed projects. This is required to be carried forward into 2009/2010 to enable the completion of those projects which relate to:

- Property maintenance projects relating to replacement heating system at SHQ (Devon House), works at Topsham Fire Station and energy saving initiatives at fire stations - (£0.132m);
- External support costs relating to support services benchmarking project, transport review, business case for documentation management project, and risk management initiatives - (£0.083m);
- Implementation of new systems relating to improved asset management tracking and operational risk information systems (ORIS) - (£0.032m);
- Refit of the Fireboat – (£0.037m); and

- Programme to procure body cameras for operational use - (£0.013m).

11.2 It is recommended that an amount of £0.297m be transferred to Earmarked Reserves to fund the completion of these projects in 2009/2010.

12 PROPOSALS FOR UTILISATION OF THE UNDERSPEND

Health and Safety Executive Visit

- 12.1 A recent visit by the Health and Safety Executive (HSE) to Hatherleigh Fire Station has resulted in the receipt of a letter advising that HSE is not satisfied with the lack of shower facilities at that station and considers that urgent action should be taken to redress this position. Whilst this project is scheduled for completion in the financial year 2010/2011, this is not a satisfactory timeframe for the HSE and therefore funding needs to be identified to complete this project. Although this visit was confined to Hatherleigh there are eight other retained stations without shower facilities. The HSE has requested a confirmation schedule of when the programme of work for all these stations is to be completed. It is estimated that the installation of shower facilities to these nine stations will cost £0.103m.
- 12.2 This issue provides stark evidence of the difficulties of responding to legislative and welfare issues as well as remedial works for property requirements, without significant increases in the budget for property maintenance. This Service has 83 fire stations to maintain, one of the highest fire service portfolios in the country, which makes it increasingly difficult to keep pace with new requirements. The issue of inadequate shower facilities is just one example of areas where the Authority may be vulnerable to challenge. In its letter regarding Hatherleigh, the HSE also drew attention to the need for other basic welfare facilities (including drying rooms) and specifically drew attention to the Barnstaple and Bideford area. In our response to the HSE, the Service indicated that it would be reviewing, with the Capital Programme Working Party, other welfare facilities such as drying rooms and BA servicing facilities and would seek to accelerate improvements in provision of these facilities.
- 12.3 Given the underspend on the overall revenue budget highlighted in this report, an opportunity is available for some one-off funds to be allocated to improve the position highlighted by the HSE. An assessment by the Head of Physical Assets has indicated that an amount of £0.300m would provide the opportunity to carry out the most urgent of these required works (including the provision of shower facilities as highlighted in paragraph 12.1 above). It is therefore recommended that an amount of £0.300m be transferred to Earmarked Reserves to provide the funding for agreed works to be commenced during 2009/2010. A report will be presented to the next meeting of the Capital Programme Working Party to consider which individual schemes will be progressed.
- 12.4 It is recommended that the remaining underspend figure of £0.162m be transferred to the General Reserve. A report on the adequacy of the level of General Reserve is considered elsewhere on the agenda.
- 12.5 A summary position of Reserves and Provisions, including the recommendations included in this report, is included as Appendix B.

13 SUMMARY OF 2008/2009 REVENUE OUTTURN POSITION

- 13.1 An underspend of £0.759m against a total budget of £70.302m, equivalent to just over 1%, is a pleasing outcome and is testament to the robust budget monitoring arrangements in place to manage spending within agreed limits. Budget monitoring reports have been considered by each meeting of the Resources Committee during the financial year to consider the projected spending position, and agree management action where required. Even after allowing for the carry forward amount of £0.297m to fund incomplete projects, the underspend position provides the opportunity to 'ring fence' an amount of £0.300m to carry out urgent improvements to welfare facilities at fire stations, as highlighted by a recent visit of the HSE, and to also make a contribution of £0.162m to general reserve balances.
- 13.2 This is only the second completed year of the newly created combined fire and rescue authority and, given that the reported position for the previous year was similar to 2008/2009, the Authority is already creating a good track record of managing spending within budget. Members will be aware, however, that - given the current financial climate and the likely adverse impact to future funding levels - the ability to manage spending within budgets will undoubtedly become increasing difficult, particularly during the period of the next Spending Review. With this in mind it is vitally important that robust budget management arrangements continue across the organisation to ensure that resources are managed effectively during 2009/2010.

PART 2 - CAPITAL

14. CAPITAL PROGRAMME 2008/2009

- 14.1 The capital programme for 2008/2009 was originally set at £8.099m at the budget setting meeting held on the 15 February 2008. This figure was reduced to £7.060m following a report to the meeting of the Resources Committee held on the 3 October 2008 which identified slippage in the 2008/2009 programme and the need to increase the 2009/2010 programme accordingly (Minute *RC/11 refers).
- 14.2 In addition to this programme, an amount of £0.073m was available from grant funding made available by the CLG to fund a programme of Home Fire Risk Checks, installation of free 10 year smoke alarms and automated fire suppression systems.
- 14.3 Total spending against this programme was £5.840m as detailed in Table 1 overleaf. Of this spending an amount of £4.755m was made by cash, and a further £1.085m was accrued at the year end to reflect invoices not yet received.

TABLE 1 – SUMMARY OF CAPITAL SPENDING IN 2008/2009

Project	2008/2009 Revised Programme £000	2008/2009 Outturn £000	Variance £000
<u>Estates</u>			
Exeter East	1,450	1,590	140
Exeter West – Danes Castle	864	1,023	159
SHQ Infrastructure	449	230	(219)
USAR Project	20	15	(5)
Maintenance Ring Fenced	714	415	(299)
Slippage from previous years	624	624	-
Estates Sub total	4,121	3,897	(224)
<u>Fleet and Equipment</u>			
Appliance Replacement	1,760	930	(830)
Other vehicles	200	267	67
Equipment	309	81	(228)
BA Cylinder Replacements	170	170	-
Asset Management Plan	100	22	(78)
Slippage from previous years	400	400	-
Fleet and Equipment Sub total	2,939	1,870	(1,069)
Total Estates and Fleet and Equipment	7,060	5,767	(1,293)
Home Safety Checks/Smoke Alarms	-	73	73
Total	7,060	5,840	(1,220)

15. **FINANCING THE CAPITAL PROGRAMME**

- 15.1 Table 2 overleaf identifies how the 2008/2009 capital spending of £5.840m is to be financed.

TABLE 2 – SUMMARY OF CAPITAL FINANCING IN 2008/20098

	Actual Financing Required £000
<u>Borrowing</u>	5,325
<u>Other Financing Sources</u>	
Revenue Contribution to Capital Spending	
Approved contribution (as agreed at the meeting of Resources Committee on the 21 July 2008).	170
Additional contribution to fund bunded oil storage containers at workshops sites.	25
Purchase of appliance and light vehicles at expiry of leasing arrangements, funded from savings on leasing rentals and sale of vehicles.	211
Capital/Revenue Grants	
Home Fire Safety Initiative Capital Grant	73
Urban Search and Rescue (USAR) Grant	29
Incident Response Unit (IRU) Capital Grant	7
Sub Total - Other Financing Sources	515
Total Financing	5,840

Borrowing

- 15.2 Prior to the introduction of the Prudential Code in April 2004, the amount of borrowing that could be undertaken to fund capital spending was restricted by the government through the allocation of a Basic Credit Approval (BCA) to each local authority. An amount was then provided in the Revenue Support Grant allocation to fund that level of borrowing. Whilst the introduction of the Prudential Code has abolished the BCA, an amount is still included in the Revenue Support Grant allocation to support a level of borrowing through the allocation of the Supported Credit Expenditure (SCE). This means that the government will continue to provide support for borrowing by way of Revenue Support Grant up to the SCE amount, and any borrowing in excess of that figure would be classified as unsupported borrowing. The supported borrowing figure allocated for Devon & Somerset Fire & Rescue Authority (DSFRA) for 2008/2009 was set at £1.573m, therefore based on a requirement to borrow £5.325m, as illustrated in Table 2, an amount of £3.752m is to be funded from unsupported borrowing. Actual borrowing that took place during 2008/2009 was £5.100m, which is well within approved limits, as determined by the approved prudential indicators

16. **SLIPPAGE**

16.1 As is indicated from the figures in Table 1, actual capital spending during the year is £1.220m less than the approved capital programme. As was reported to the last meeting of Resources Committee on 4 February 2009, it had been anticipated that there would be some slippage against the programme, particularly in relation to replacement appliances due to delays in manufacturer build schedules. As this slippage only reflects changes to the timing of the costs being incurred and not a change in the overall cost of the programme there is no adverse impact against the approved Prudential Indicators. A revised capital programme for 2009/2010 to 2011/2012, incorporating the re-profiling of the slippage against individual projects, will be reported to the next meeting of the Resources Committee.

17. **DRAFT PRUDENTIAL INDICATORS**

17.1 The prudential indicators at this time are only in draft format, subject to the completion of the Statement of Accounts.

17.2 ***Capital Expenditure***

This prudential indicator reports actual capital spending for the year against the approved programme. Spending has proved to be £1.220m less than anticipated as a consequence of delays on progressing capital projects.

Approved Indicator	£7.060m
Actual Expenditure	£5.840m
Variance	(£1.220) m

17.3 ***Capital Financing Requirement (CFR)***

The CFR reflects the underlying need to borrow for capital purposes. Slippage in capital spending has resulted in less borrowing being required in 2008/2009 than had been forecast. As a consequence the actual CFR as at 31 March 2009 is less than the original indicator.

Revised CFR	£22.842m
Actual CFR	£21.276m
Variance	(£1.566) m

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

Actual external debt as at 31 March 2009 was £19.281m.

This is well within the authorised limit and operational boundary of £29.214m and £27.923m respectively, and therefore neither was breached.

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

This ratio aims to show the percentage of revenue resources which are applied to financing debt. The authority's revised estimate was that 2.48% would be applied and the actual figure is 0.16% below the estimate.

Capital Financing Costs	£2.116m
Interest on investments	(£0.500) m
Net Financing Costs	£1.616m

Net Revenue Stream	£69.543m
Percentage	2.32%
Estimated	2.48%
Variance	(0.16) %

It should be noted that the percentage figure for this Authority is a relatively low figure due to the fact that it has only been in existence as a stand alone Authority since 1998. The ratio will inevitably increase year on year as the level of borrowing to fund future capital programmes cumulatively increases.

18. DETERMINATION OF CAPITAL FINANCE

18.1 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:

- (i). That central government support to borrowing totalling £1.573m is used as authorisation to capitalise expenditure.
- (ii). That unsupported borrowing totalling £3.752m is used as authorisation to capitalise expenditure.
- (iii). That £0.109m is capitalised and funded from government grant.
- (iv). That an amount of £0.406m is capitalised and funded from a revenue contribution to capital spending.

KEVIN WOODWARD
Treasurer

Provisional Revenue Outturn 2008/2009

Line No		2008/2009 Revised Budget £000 (1)	Outturn £000 (2)	Variance over/(under) £000 (3)
	SPENDING			
	EMPLOYEE COSTS			
1	Wholetime uniform staff	32,143	31,685	(458)
2	Retained firefighters	12,073	11,835	(238)
3	Control room staff	1,827	2,023	196
4	Non uniformed staff	7,590	7,540	(50)
5	Training expenses	1,153	1,113	(40)
6	Fire Service Pensions recharge	1,797	1,685	(112)
		56,583	55,881	(702)
	PREMISES RELATED COSTS			
7	Repair and maintenance	1,078	937	(141)
8	Energy costs	465	632	167
9	Cleaning costs	375	316	(59)
10	Rent and rates	1,227	1,201	(26)
		3,145	3,086	(59)
	TRANSPORT RELATED COSTS			
11	Repair and maintenance	586	549	(37)
12	Running costs and insurances	1,127	1,233	106
13	Travel and subsistence	995	1,180	185
		2,708	2,962	254
	SUPPLIES AND SERVICES			
14	Equipment and furniture	2,237	2,467	230
15	Hydrants-installation and maintenance	85	76	(9)
16	Communications	1,420	1,374	(46)
17	Uniforms	764	750	(14)
18	Catering	118	170	52
19	External Fees and Services	120	80	(40)
20	Partnerships & regional collaborative projects	157	142	(15)
		4,901	5,059	158
	ESTABLISHMENT COSTS			
21	Printing, stationery and office expenses	402	421	19
22	Advertising	59	66	7
23	Insurances	326	383	57
		787	870	83
	PAYMENTS TO OTHER AUTHORITIES			
24	Support service contracts	623	553	(70)
		623	553	(70)
	CAPITAL FINANCING COSTS			
25	Capital charges	4,413	4,009	(404)
26	Revenue Contribution to Capital spending	0	406	406
		4,413	4,415	2
27	TOTAL SPENDING	73,160	72,826	(334)
	INCOME			
28	Treasury management investment income	(352)	(500)	(148)
29	Grants and Reimbursements	(1,357)	(1,667)	(310)
30	Other income	(943)	(1,235)	(292)
31	Internal Recharges	(53)	(56)	(3)
32	Contribution from Reserves	(153)	0	153
33	Contribution to Earmarked Reserve	0	175	175
33	TOTAL INCOME	(2,858)	(3,283)	(425)
34	NET SPENDING	70,302	69,543	(759)

SUMMARY OF RESERVE BALANCES AND PROVISIONS AS AT 31 MARCH 2009

RESERVES

Balance as at 1 April 2008		Spending in 2008/2009	Proposed Contribution	Balance as at 31 March 2009
£000		£000	£000	£000
4,291	General Reserve		162	4,453
	Earmarked Reserves			
31	North Division - Lundy Island	-6		25
25	Positive Pressure Ventilation Training	-8		17
5	Working at Height			5
185	RCC and Firelink systems	-68		117
15	GIS Gazateer			15
8	Grants	-8		0
0	2008/2009 carry forwards		297	297
0	Welfare Facilities at Fire Stations		300	300
269		-90	597	776
4,560	TOTAL	-90	759	5,229

PROVISIONS

Balance as at 1 April 2008		Spending in 2008/2009	Contribution	Balance as at 31 March 2009
£000		£000	£000	£000
442	Retained Firefighter Pension Contributions		55	497
294	Job Evaluation back dated costs to 1 April 2007		292	586
736	TOTAL	0	347	1,083