



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	RC/09/4
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	14 SEPTEMBER 2009
SUBJECT OF REPORT	BUDGET MONITORING REPORT 2009/2010
LEAD OFFICER	TREASURER
RECOMMENDATIONS	<p>(a) That the current projection of an underspend of £0.588m, against the current year revenue budget be noted;</p> <p>(b) That, in accordance with Financial Regulations, budget virement 2 as set out in the table at paragraph 6.1 of this report be approved;</p> <p>(c) That, in accordance with Financial Regulations, the Authority be recommended to approve budget virement 1 as set out in the table at paragraph 6.1 of this report</p> <p>(d) That the performance against 2009/2010 financial targets, be noted.</p>
EXECUTIVE SUMMARY	<p>This report provides the first budget monitoring statement for the current financial year, based upon spending to the end of July 2009.</p> <p>At this stage, projections indicate that spending will be £0.588m less than budget, equivalent to just 0.81%. It should be noted that of this figure an amount of £0.378m relates to the fact that the 2009 pay award for unformed staff has been settled at 1.25%, which is lower than the 2.3% provision that had been assumed in setting the 2009/2010 revenue budget.</p> <p>This report also provides a summary of the authority's forecast performance against its financial targets and its anticipated year end reserve position.</p>
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY IMPACT ASSESSMENT	An initial assessment has revealed that there are no equality issues arising from this report.

APPENDICES	A. Summary of Forecast Performance against 2009/2010 Financial Targets. B. Subjective Analysis of 2009/2010 Revenue Spending. C. Reserves
LIST OF BACKGROUND PAPERS	

1. INTRODUCTION

1.1 This report provides the first budget monitoring report for the current financial year. As well as providing projections of spending against the 2009/2010 revenue budget, the report also includes forecast performance against other financial performance indicators, including the prudential and treasury management indicators. Appendix A to this report provides a summary of performance against each of our targets. The key issues relating to our forecast performance against each of these targets are explained within this report.

2. REVENUE BUDGET 2009/2010

2.1 Current projections are for total revenue spending in 2009/2010 to be £72.071m, as compared to an approved budget of £72.659m, representing an underspend of £0.588m, equivalent to just 0.81% of the total budget. It should be emphasised that, of this figure, an amount of £0.378m relates to the fact that the 2009 pay award for uniformed staff has recently been settled at 1.25%, compared to the 2.3% provision that had been included in the budget. Aside from the pay award saving, further net savings of £0.210m are forecast from other areas of spending.

2.2 This projection is based upon the spending position at the end of July 2009, historical trends, and information from budget managers on known commitments. It should be noted that whilst every effort is made for projections to be as accurate as possible, some budget lines are susceptible to volatility in spending patterns during the year, in particular retained pay costs which are linked to activity levels, and it is inevitable therefore that final spending figures for the financial year will differ than those projected in this report.

2.3 Given that we are still at an early stage in the financial year, this report does not make any recommendation as to how this underspend may be utilised. Regular monitoring reports will continue to be presented to this Committee throughout the course of the financial year, to provide an update on the spending position, together with consideration of appropriate management action, where significant variations have been highlighted.

2.4 Appendix B provides an analysis of projected spending against each of the subjective budget headings, and explanations of the more significant variations from budget are explained below in paragraphs 3 to 5 below.

3. EMPLOYEE COSTS

Wholetime Staff

3.1 Spending against wholetime pay costs is anticipated to be £0.364m less than budget, equivalent to just 1.10% of the total wholetime pay budget, of which an amount of £0.243m relates to the impact of the lower pay award. The remaining savings are primarily as a consequence of staff vacancies.

Retained Staff

3.2 At this stage it is projected that spending against this budget heading is projected to be underspent by £0.291m, of which an amount of £0.117m reflects the impact of the lower pay award. This projection is based upon spending to date and an assumption that activity levels in the remainder of the financial year are consistent with the average for the same period for the last two financial years. It should be emphasised that by its very nature retained pay costs can be subject to significant variations e.g. volatility to spending caused from spate weather conditions.

Non-Uniformed Staff

- 3.3 The forecast spending on non-uniformed pay includes the costs associated with the Community Safety Action Teams (CSAT) engaged as part our prevention activities to reduce the number of fire calls. These costs are to be self funding from savings on retained pay costs.

4. **PREMISES RELATED COSTS**

Energy Costs

- 4.1 At this stage it is projected that spending on energy costs will be £0.091m more than anticipated primarily as a consequence of utility cost increases being more than had been budgeted.

4.2 Rent and Rates

It is anticipated that rates costs will be less than had been budgeted following confirmation from the Valuation Office of new rateable values, which in the event have proved to lower than had been anticipated.

5. **CAPITAL FINANCING COSTS**

- 5.1 As a consequence of slippage in spending against the 2008/2009 capital programme, as reported elsewhere on the agenda, it is projected that debt charges for 2009/2010 will be £0.171m less than budget.

6. **BUDGET VIREMENTS**

- 6.1 Table 1 below shows details of proposed budget transfers between subjective budget headings. Financial Regulations require that in-year virements between subjective budget lines in excess of £50,000 require the approval of the Resources Committee, and the full Authority where the amount exceeds £150,000 (Regulations A19 and A20 refers). The budget figures in Appendix B include the impact of these virements.

TABLE 1 – VIREMENTS IN EXCESS OF £50,000

	Budget Line	From £	To £	
1.	Grants and Reimbursements	(626,900)		To reflect the award of New Burdens grant funding from the Department of Communities and Local Government (CLG) relating to the Regional Control Centre (RCC) project, to fund the staffing costs of additional control room operators, required as part of the Initial Staffing Pool (ISP), and additional staffing required to form the RCC transition team.
	Employee Costs – Wholetime Uniformed Staff		89,200	
	Employee Costs – Control Room Staff		332,200	
	Employee Costs – Non-uniformed Staff		205,500	

	Budget Line	From £	To £	
2.	Employee Costs - Wholetime Uniformed Staff	(74,400)		To reflect that Continuing Professional Development (CPD) covers both wholetime & retained staff
	Employee Costs – Retained		74,400	

7. EFFICIENCY SAVINGS

7.1 The authority's forward looking Annual Efficiency Statement, required to be submitted to the CLG annually, has targeted additional cashable savings of £0.906m to be achieved in 2009/2010. The majority of these savings are to be delivered from the implementation of the dual crewing of aerial appliances, reductions in fire calls, further savings from the combination of ex-Devon and ex-Somerset FRS, and from better procurement. At this stage of the year monitoring has indicated that we are on course to achieve this saving target.

7.2 In relation to the cumulative savings to be achieved from the combination, including savings to be achieved in 2009/2010, the current forecast is that total savings of £3.6m will be achieved by the year 2012/2013, which exceeds the original target figure of between £1.6m and £3.0m.

8. RESERVES

8.1 The authority has a number of reserves which are available to fund expenditure. In order to demonstrate a complete outturn position, Appendix C provides details of the anticipated year end situation for each of these reserves.

9. PRUDENTIAL INDICATORS (INCLUDING TREASURY MANAGEMENT)

9.1 Elsewhere on the agenda to this meeting are two separate papers relating to capital monitoring and treasury management performance in the current year. Appendix A to this report includes the impact on the Prudential and Treasury Management Indicators from the key issues highlighted in each of those reports.

9.2 The main issue to report in relation to the prudential indicators is that, with the exception of the CFR, none of the agreed prudential indicators are forecast to be breached. Actual external borrowing as at July 2009 stood at £20.874m, forecasting to rise to £28.879m by 31 March 2010, which is well below the authorised limit for external debt of £36.628m (the absolute maximum that the Authority has agreed as affordable).

9.3 In relation to investment returns, it is forecast that the income target of £0.105m will not be achieved as a consequence of the falling interest rates since the budget was set. The current estimate is that an amount of £0.075m will be achieved. An average return of 1.22% has been achieved to the end of July 2009, as compared to the average LIBID 7 day rate (industry benchmark), for the same period of 0.48%.

9.4 Current external borrowing has been taken at an average borrowing rate of 4.00%. This compares with a target of 4.18% assumed in setting the debt charges budget for 2009/2010.

10. OTHER INDICATORS

Aged Debt Analysis

- 10.1 As at 31 July 2009, an amount of £48,302 was due from debtors relating to invoices that are more than 85 days old, equating to 7.12% of the total debt outstanding. Whilst this is within the set target of 10% total debt, efforts will be increased in the remainder of the year to improve this position further.

Payment of Supplier Invoices within 30 days

- 10.2 The ratio of supplier invoices paid within 30 days (or other agreed credit terms) is that 98.91%, compared to our target figure of 98.0%. It should also be noted that the majority of suppliers are now being paid within 20 days, as a result of a Service decision to make a temporary change to the payment period down from 30 days to 20 days during the period of the recession, to assist smaller suppliers, in particular, with their cash flow position.

11. SUMMARY

- 11.1 We are still relatively early in the financial year and the forecasts of financial performance will inevitably change during the course of the year, particularly in relation to spending against the revenue and capital budgets. Further monitoring reports will be presented to each of meeting of the Resources Committee during the course of the financial year, including proposals for management action, where necessary.

KEVIN WOODWARD
Treasurer

FINANCIAL PERFORMANCE INDICATORS 2009/2010

Revenue Budget	Forecast £m	Target £m	Variance (favourable) /adverse %
Forecast Spending	72.071	72.659	(0.81)%
Efficiency Savings to be achieved in 2009/2010	0.906	0.906	0.00%
Cumulative Efficiency Savings from Combination by 2012/1013	3.600	3.000	(0.20)%

Prudential Indicators and Treasury Management Indicators	Forecast £m	Target £m	Variance (favourable) /adverse %
Capital Expenditure	10.121	10.121	0.00%
Capital Financing Requirement (CFR)	28.731	28.673	0.20%
Authorised limit for external debt	28.879	36.628	(21.16)%
Operational boundary for external debt	28.879	33.761	(14.46)%
Investment Income	0.075	0.105	28.57%
	Actual (31 July 2009) %	Target %	Variance (favourable) /adverse %
Investment Return	1.22%	0.48%	(0.74)%
Cost of Borrowing	4.00%	4.18%	(0.18)%

Prudential Indicators and Treasury Management Indicators	Actual (31 July 2009) %	Target Upper limit %	Target Lower limit %	Variance (favourable) /adverse %
Limit of fixed interest rates based on net debt	100.00%	100.00%	70.00%	0.00%
Limit of variable interest rates based on net debt	0.00%	30.00%	0.00%	0.00%
Maturity structure of borrowing limits				
Under 12 months	4.53%	10.00%	0.00%	(5.47)%
12 months to 2 years	4.53%	15.00%	0.00%	(10.47)%
2 years to 5 years	13.15%	30.00%	0.00%	(16.85)%
5 years to 10 years	5.11%	50.00%	0.00%	(44.89)%
10 years and above	72.68%	100.00%	50.00%	(27.32)%

Other Indicators	Actual (31 July 2009) %	Target %	Variance (favourable) /adverse %
Aged Debt over 85 days	7.12%	10.0%	(2.88)%
Payments to Suppliers within 30 days	98.91%	98.00%	(0.91)%

Revenue Budget Monitoring Report 2009/10

Line No		2009/10	Year To	Spending to	Projected	Projected
		Revised Budget	Date Budget	Month 4	Outturn	Variance over/(under)
		£000 (1)	£000 (2)	£000 (3)	£000 (4)	£000 (5)
	SPENDING					
	EMPLOYEE COSTS					
1	Wholetime uniform staff	33,061	10,807	10,777	32,697	-364
2	Retained firefighters	12,175	3,600	3,593	11,884	-291
3	Control room staff	2,225	725	709	2,185	-40
4	Non uniformed staff	8,353	2,770	2,743	8,477	124
5	Training expenses	1,140	379	345	1,145	5
6	Fire Service Pensions recharge	1,955	927	6,649	1,955	0
		58,909	19,208	24,816	58,343	-566
	PREMISES RELATED COSTS					
7	Repair and maintenance	920	306	363	970	50
8	Energy costs	513	171	79	604	91
9	Cleaning costs	390	130	63	393	3
10	Rent and rates	1,301	433	464	1,249	-52
		3,124	1,040	969	3,216	92
	TRANSPORT RELATED COSTS					
11	Repair and maintenance	587	195	113	587	0
12	Running costs and insurances	1,194	492	232	1,194	0
13	Travel and subsistence	1,289	352	378	1,289	0
		3,070	1,039	723	3,070	0
	SUPPLIES AND SERVICES					
14	Equipment and furniture	2,156	721	896	2,171	15
15	Hydrants-installation and maintenance	168	56	43	168	0
16	Communications	1,114	515	513	1,112	-2
17	Protective Clothing	861	286	413	861	0
18	Catering	137	45	63	151	14
19	External Fees and Services	80	26	20	111	31
20	Partnerships & regional collaborative projects	153	51	7	153	0
		4,669	1,700	1,955	4,727	58
	ESTABLISHMENT COSTS					
21	Printing, stationery and office expenses	418	166	121	411	-7
22	Advertising	75	25	35	84	9
23	Insurances	377	269	186	377	0
		870	460	342	872	2
	PAYMENTS TO OTHER AUTHORITIES					
24	Support service contracts	637	186	140	628	-9
		637	186	140	628	-9
	CAPITAL FINANCING COSTS					
25	Capital charges	4,655	102	699	4,484	-171
26	Revenue Contribution to Capital spending	0	0	0	25	25
		4,655	102	699	4,509	-146
27	TOTAL SPENDING	75,934	23,735	29,644	75,365	-569
	INCOME					
28	Treasury management investment income	-105	-35	-25	-75	30
29	Grants and Reimbursements	-2,201	-550	-1,658	-2,201	0
30	Other income	-901	-300	-358	-950	-49
31	Internal Recharges	-68	-22	-1	-68	0
32	TOTAL INCOME	-3,275	-907	-2,042	-3,294	-19
33	NET SPENDING	72,659	22,828	27,602	72,071	-588

RESERVES – predicted outturn

RESERVE	Available balance as at 1/4/2009 £000	Spending to month 4 £000	Predicted outturn £000	Anticipated Balance 31/3/2010 £000
Lundy	25	0	25	0
Postive pressure ventilation training	17	2	5	13
Mobilisation equipment	117	9	117	0
Working at heights	6	0	5	1
GIS	15	0	0	15
Decommission analogue radio	175	68	150	25
Improvements to Topsham station	26	0	26	0
Spend to save initiatives	46	0	46	0
General fund	4,453	0	0	4,453
Risk management work	4	0	4	0
Risk reduction initiatives	3	0	3	0
Document management	25	0	25	0
Corporate communication strategy	4	2	4	0
Corporate branding	6	0	6	0
KPMG benchmarking	16	0	16	0
Body cameras	13	0	13	0
Fireboat refit	10	2	10	0
Fireboat engines	27	14	27	0
Crownhill/Chelston building alts	20	19	20	0
Asset tracking	20	2	20	0
Logistics & Transportation Review	25	0	22	3
ORIS system development	12	0	12	0
Devon House heating	40	0	40	0
HSE building works	300	0	300	0
	5,405	118	896	4,510