

DEVON & SOMERSET FIRE & RESCUE AUTHORITY



REPORT REFERENCE NO.	RC/09/8
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	16 NOVEMBER 2009
SUBJECT OF REPORT	BUDGET MONITORING REPORT 2009/2010
LEAD OFFICER	TREASURER
RECOMMENDATIONS	<p>(a) <i>That it be recommended to the Devon and Somerset Fire and Rescue Authority that, from the total projected underspend of £0.875m, an earmarked reserve of £0.357m be established to part fund the costs associated with the replacement Personal Preventative Equipment (PPE) Project under the Integrated Clothing Project (ICP).</i></p> <p>(b) <i>That the performance against 2009/2010 financial targets, be noted;</i></p> <p>(c) <i>That, subject to (a) and (b) above, the budget monitoring position as outlined in this report be noted.</i></p>
EXECUTIVE SUMMARY	<p>This report provides a further update of the budget monitoring position for the current financial year, based upon spending to the end of October 2009.</p> <p>At this stage, projections indicate that spending will be £0.875m less than budget, equivalent to just 1.20%. It should be noted that of this figure an amount of £0.490m relates to the fact that the 2009 pay award, for both uniformed and non-uniformed staff, has been settled at a lower rate than had been budgeted.</p> <p>This report also provides a summary of the authority's forecast performance against its financial targets.</p>
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.

APPENDICES	<p>Appendix A – Summary of Forecast Performance against 2009/2010 Financial Targets.</p> <p>Appendix B – Subjective Analysis of 2009/2010 Revenue Spending.</p> <p>Appendix C – Estimated Reserves as at 31 March 2010.</p>
LIST OF BACKGROUND PAPERS	<p>Capital Programme Monitoring 2009/10 to 2011/12 report RC/09/5, as reported to the meeting of Resources Committee held on the 14 September 2009.</p>

1. INTRODUCTION

- 1.1 This report provides an updated 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 £71.784m, as compared to an approved budget of £72.659m, representing an underspend of £0.875m, equivalent to just 1.20% of the total budget. It should be emphasised that, of this figure, an amount of £0.490m relates to the fact that the 2009 pay award for uniformed and non-uniformed staff has recently been settled at 1.25%, and 1.0% respectively, compared to the 2.3% provision that had been included in the budget. Aside from the pay award saving, additional net savings of £0.385m are forecast from other areas of spending. 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 6 below.
- 2.2 The projections are based upon the spending position at the end of October 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 this underspend position it is a recommendation of this report that an amount of £0.357m be utilised to part fund the proposed introduction of the Integrated Clothing Project (ICP), proposals for which are reported separately elsewhere on the agenda.

3. EMPLOYEE COSTS

Wholetime Staff

- 3.1 Spending against wholetime pay costs is anticipated to be £0.238m less than budget, equivalent to just 0.72% of the total wholetime pay budget, as a result of the impact of the lower pay award.

Retained Staff

- 3.2 At this stage it is projected that spending against this budget heading is projected to be underspent by £0.279m, 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.

Training Expenses

- 3.4 At this stage, it is anticipated that savings of £0.066m will be achieved against the training budget, as a consequence of some delays in the delivery of planned courses. .

4. PREMISES RELATED COSTS

Energy Costs

- 4.1 At this stage it is projected that spending on energy costs will be £0.067m less than anticipated primarily as a consequence of a refund of charges relating to previous years.

5. CAPITAL FINANCING COSTS

- 5.1 As a consequence of slippage in spending against the 2008/2009 capital programme, as reported to the meeting of Resources Committee held on the 14 September 2009 (report RC/09/5 Capital Programme Monitoring 2009/10 to 2011/12 refers), and also slippage against the current year programme, it is projected that debt charges for 2009/2010 will be £0.145m less than budget.

6. OTHER INCOME

- 6.1 It is projected that income targets for the year will be exceeded by an amount of £0.301m, primarily from additional training income as a consequence of the Service securing orders to deliver firefighter recruit training to other fire and rescue authorities i.e. Royal Berkshire, Cornwall, Dorset and the States of Jersey.

7. PROPOSED TRANSFER TO EARMARKED RESERVES

- 7.1 Elsewhere on the agenda for this meeting is a separate report providing detailed proposals relating to the procurement of Personal Protective Equipment (PPE), through the Integrated Clothing Project (ICP). If Members are minded to approve this proposal then it is estimated that an additional cost of £0.357m will be incurred in 2010/2011 over and above figures already included in medium term financial planning.
- 7.2 It is proposed that from this years underspend an amount of £0.357m be transferred to an earmarked reserve to fund this additional cost in 2010/2011. This course of action would assist the budget setting process for the next financial year in so much as it would avoid the need to increase the base budget for 2010/2011 by this amount, as the additional costs, when they fall, will be met from the earmarked reserve.
- 7.3 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). It is therefore a recommendation of this report that the next meeting of the Fire and Rescue Authority be asked agree this proposed transfer of £0.357m.

8. EFFICIENCY SAVINGS

- 8.1 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.
- 8.2 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.

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 key issue to report in relation to the prudential indicators is that none of the agreed prudential indicators are forecast to be breached. Actual external borrowing as at September 2009 stood at £24.222m, forecasting to rise to £28.429m 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 0.88% has been achieved to the end of September 2009, as compared to the average LIBID 7 day rate (industry benchmark), for the same period of 0.45%.
- 9.4 Current external borrowing has been taken at an average borrowing rate of 3.90%. 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 30 September 2009, an amount of £48,413 was due from debtors relating to invoices that are more than 85 days old, equating to 14.49% of the total debt outstanding. Efforts will be increased in the remainder of the year to improve this position back to below our target level of 10.0%.

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 99.26%, compared to our target figure of 98.00%. 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 Whilst we are only seven months into the financial year and the forecasts of financial performance will inevitably change during the course of the year, at this stage, I am confident that spending will be well within agreed budget figures.

11.2 The proposed transfer to earmarked reserves of £0.357m is considered a prudent use of the underspend, given that it will assist next years budget planning process. Further monitoring reports will be presented to each meeting of the Resources Committee during the course of the financial year, including proposals for further prudent management action, where necessary.

KEVIN WOODWARD
Treasurer

APPENDIX A TO REPORT RC/09/X

FINANCIAL PERFORMANCE INDICATORS 2009/2010

Revenue Budget	Forecast £m	Target £m	Variance (favourable) /adverse %
Forecast Spending	71.784	72.659	(1.20)%
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	9.249	10.121	(8.62)%
Capital Financing Requirement (CFR)	27.882	28.673	(2.76)%
Authorised limit for external debt	28.429	36.628	(22.38)%
Operational boundary for external debt	28.429	33.761	(15.79)%
Investment Income	0.075	0.105	28.57%
	Actual (30 Sept 2009) %	Target %	Variance (favourable) /adverse %
Investment Return	0.88%	0.45%	(0.43)%
Cost of Borrowing	3.90%	4.18%	(0.28)%

Prudential Indicators and Treasury Management Indicators	Actual (30 Sept 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%	(30.00)%
Maturity structure of borrowing limits				
Under 12 months	4.07%	10.00%	0.00%	(5.93)%
12 months to 2 years	4.26%	15.00%	0.00%	(10.74)%
2 years to 5 years	12.03%	30.00%	0.00%	(17.97)%
5 years to 10 years	6.29%	50.00%	0.00%	(43.71)%
10 years and above	73.35%	100.00%	50.00%	(26.65)%

Other Indicators	Actual (30 Sept 2009) %	Target %	Variance (favourable) /adverse %
Aged Debt over 85 days	14.49%	10.00%	4.49%
Payments to Suppliers within 30 days	99.26%	98.00%	(1.26)%

APPENDIX B TO REPORT RC/09/X

REVENUE BUDGET MONITORING REPORT 2009/10

Line No		2009/10 Budget £000 (1)	Year to Date Budget £000 (2)	Spending to Month 7 £000 (3)	Projected Outturn £000 (4)	Projected Variance over/(under) £000 (5)
	SPENDING					
	EMPLOYEE COSTS					
1	Wholetime uniform staff	33,006	19,077	18,997	32,768	-238
2	Retained firefighters	12,180	6,660	6,586	11,901	-279
3	Control room staff	2,225	1,284	1,249	2,175	-50
4	Non uniformed staff	8,383	4,876	5,560	8,611	228
5	Training expenses	1,154	673	527	1,088	-66
6	Fire Service Pensions recharge	1,955	1,362	1,279	1,905	-50
		58,903	33,932	34,198	58,448	-455
	PREMISES RELATED COSTS					
7	Repair and maintenance	922	538	690	932	10
8	Energy costs	513	299	157	446	-67
9	Cleaning costs	390	227	186	366	-24
10	Rent and rates	1,301	759	741	1,318	17
		3,126	1,823	1,774	3,062	-64
	TRANSPORT RELATED COSTS					
11	Repair and maintenance	587	343	203	597	10
12	Running costs and insurances	1,194	730	345	1,197	3
13	Travel and subsistence	1,292	676	637	1,310	18
		3,073	1,749	1,185	3,104	31
	SUPPLIES AND SERVICES					
14	Equipment and furniture	2,138	1,247	1,358	2,184	46
15	Hydrants-installation and maintenance	168	98	60	141	-27
16	Communications	1,115	794	604	1,097	-18
17	Uniforms	861	502	623	862	1
18	Catering	137	80	114	168	31
19	External Fees and Services	98	57	26	87	-11
20	Partnerships & regional collaborative projects	128	74	30	128	0
21	USAR Equipment	25	15	1	25	0
		4,670	2,867	2,816	4,692	22
	ESTABLISHMENT COSTS					
22	Printing, stationery and office expenses	418	258	223	413	-5
23	Advertising	75	44	39	74	-1
24	Insurances	377	310	201	377	0
		870	612	463	864	-6
	PAYMENTS TO OTHER AUTHORITIES					
25	Support service contracts	637	345	235	606	-31
		637	345	235	606	-31
	CAPITAL FINANCING COSTS					
26	Capital charges	4,655	1,774	1,861	4,510	-145
27	Revenue Contribution to Capital spending	0	0	0	25	25
		4,655	1,774	1,861	4,535	-120
28	TOTAL SPENDING	75,934	43,102	42,532	75,311	-623
	INCOME					
29	Treasury management investment income	-105	-61	-39	-75	30
30	Grants and Reimbursements	-2,201	-1,100	-1,801	-2,182	19
31	Other income	-901	-526	-753	-1,202	-301
32	Internal Recharges	-68	-39	-33	-68	0
33	Contribution to/from Reserves	0	0	0	0	0
34	Earmark Reserve	0	0	0	0	0
35	TOTAL INCOME	-3,275	-1,726	-2,626	-3,527	-252
36	NET SPENDING	72,659	41,376	39,906	71,784	-875

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