

DEVON & SOMERSET FIRE & RESCUE AUTHORITY



REPORT REFERENCE NO.	RC/10/2
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	8 FEBRUARY 2010
SUBJECT OF REPORT	FINANCIAL PERFORMANCE REPORT 2009/2010
LEAD OFFICER	TREASURER
RECOMMENDATIONS	<p><i>(a) That the budget monitoring position in relation to projected spending against the 2009/2010 revenue and capital budgets be noted;</i></p> <p><i>(b) That the performance against 2009/2010 financial targets, 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 December 2010.</p> <p>At this stage, projections indicate that revenue spending will be £0.494m less than budget, equivalent to just 0.68% of the total budget. Given that there are still three months of spending to come, and the projection will be subject to change, this report does not provide any recommendation as to how this underspend is to be utilised. .</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 – Capital Monitoring Statement 2009/2010.</p>
LIST OF BACKGROUND PAPERS	None

1. **INTRODUCTION**

1.1 This report provides an updated monitoring report for the current financial year. As well as providing projections of spending against the 2009/2010 revenue and capital budget, the report also includes forecast performance against other financial performance indicators, including the prudential and treasury management indicators.

1.2 The report is presented in the following three Sections.

SECTION A – Performance against the 2009/2010 Revenue Budget.

SECTION B – Performance against the 2009/2010 Capital Budget and Prudential Indicators.

SECTION C – Performance against Other Financial Indicators.

1.3 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 each section of this report.

2. **SECTION A - REVENUE BUDGET 2009/2010**

2.1 Current projections are for total revenue spending in 2009/2010 to be £72.165m, as compared to an approved budget of £72.659m, representing an underspend of £0.494m, equivalent to 0.68% of the total budget. It should be emphasised that this projection includes the impact of the transfer of an amount of £0.357m to an earmarked reserve to part fund the introduction of the Integrated Clothing Project (ICP), as agreed at the last meeting of Resources Committee held on the 16 November 2009 (Minute RC/11/(a) refers). 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 9 below.

2.2 The projections are based upon the spending position at the end of December 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. For this reason this report does not make any proposals as to how this projected underspend is to be utilised.

3. **EMPLOYEE COSTS**

Wholetime Staff

3.1 Spending against wholetime pay costs is anticipated to be £0.194m less than budget, primarily as a result of the impact of the 2009 pay award being settled at 1.25%, as compared to the 2.3% provision made in the budget.

Retained Staff

3.2 At this stage it is projected that spending against this budget heading is projected to be underspent by £0.153m, again primarily as a consequence 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, and the redundancy and early retirement costs associated with the agreed restructure to the Senior Management Team, resulting in the deletion of two senior management posts.

Training Expenses

At this stage, it is anticipated that savings of £0.090m will be achieved against the training budget, as a consequence of some delays in the delivery of planned courses.

Fire Service Pension Costs

- 3.5 As a result of fewer cases of ill-health retirements than had been budgeted for it is anticipated that savings of £0.057m will be achieved against this Fire Service Pension Costs.

4. PREMISES RELATED COSTS

Energy Costs

- 4.1 At this stage it is projected that spending on energy costs will be £0.105m less than anticipated primarily as a consequence of a refund of gas charges relating to previous years.

5. TRANSPORT RELATED COSTS

Running Costs and Insurances

- 5.1 At this stage it is projected that savings of £0.136m will be achieved from transport running costs, as a result of increases in fuel costs not being as much as had been anticipated, and savings on insurance costs.

6. SUPPLIES AND SERVICES

Equipment and Furniture

- 6.1 The projected underspend against the equipment budget includes savings of £0.105m from the expected delay in the implementation of the document management system project, originally planned to have been implemented during the current financial year. Subject to the final outturn position, a proposal will be made at the year-end to transfer this sum to an earmarked reserve in order that this project can be implemented during 2010. Additional equipment costs relating to training activity (fully offset by increased training income) reduces the projected savings from the total equipment budget to £0.056m.

Communications

- 6.2 As a consequence of the need to support the implementation of the new national radio scheme (Firelink) and the RCC project, it is anticipated that a number of other ICT projects will not have been delivered by the end of the financial year, resulting in an underspend against the Communications budget of £0.068m. Subject to the final outturn position at the year-end it will be proposed that the underspend be transferred to an earmarked reserve, in order that those incomplete ICT projects can be implemented.

7. ESTABLISHMENT COSTS

Insurances

- 7.1 In anticipation of fewer insurance claims to be funded from self-insurance arrangements, savings of £0.073m are projected against this budget line.

8. CAPITAL FINANCING COSTS

- 8.1 As a consequence of slippage in spending against the 2008/2009, and also slippage against the current year programme, it is projected that overall debt charges for 2009/2010 will be £0.269m less than budget.
- 8.2 The savings on debt charges from capital spending slippage has enabled additional capital spending of £0.140m on vehicles and equipment to be financed direct from revenue therefore avoiding the need to borrow.

9. INCOME

Grants and Reimbursements

- 9.1 It is forecast that the amount of New Burdens grant necessary in 2009/2010 to fund the RCC transition Teams and ISP project will be less than originally anticipated. This reduction in grant is fully offset by a reduction in spending on these projects.

Other Income

- 9.2 It is projected that income targets for the year will be exceeded by an amount of £0.328m, 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.

Earmarked Reserves

- 9.3 As agreed at the last meeting of Resources Committee, and ratified by the full Authority meeting held on the 14 December 2009, an amount of £0.357m is to be transferred to an earmarked reserve to fund additional costs of the ICP project in 2010/2011

10. SUMMARY OF REVENUE SPENDING

- 10.1 Whilst the forecasts of financial performance will inevitably change during the remainder of the financial year, at this stage, I am confident that overall spending will be well within agreed budget figures.
- 10.2 Given that there are still three months of spending to come before the end of the financial year, at this stage, no proposal is made within this report as how this underspend may be utilised.

11. SECTION B – CAPITAL PROGRAMME 2009/2010 AND PRUDENTIAL INDICATORS

11.1 Appendix C to this report provides a summary of the projected spend against the current year capital programme. This indicates that overall spending will be £9.924m, as compared to an agreed programme of £10.236m, resulting in an underspend of £0.312m. Elsewhere on the agenda to this meeting is a separate report relating to the capital programme levels for 2010/2011 to 2012/2013. That report proposes that the slippage/savings against the current years programme is carried forward to support spending in 2010/2011.

11.2 Also included in Appendix C are details of how spending of £9.924m is to be financed.

Prudential Indicators (including Treasury Management)

11.3 As a consequence of capital spending forecast to be within agreed limits none of the agreed prudential indicators are forecast to be breached. Actual external borrowing as at December 2009 stood at £26.850m, forecasting to fall to £26.651m 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).

11.4 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 £0.090m will be achieved. An average return of 0.88% has been achieved to the end of December 2009, as compared to the average LIBID 7 day rate (industry benchmark), for the same period of 0.43%.

11.5 Current external borrowing has been taken at an average borrowing rate of 3.80%. This compares with a target of 4.18% assumed in setting the debt charges budget for 2009/2010.

12. SECTION C - OTHER FINANCIAL PERFORMANCE INDICATORS

Efficiency Savings

12.1 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.

12.2 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.

Aged Debt Analysis

12.3 As at 31 December 2009, an amount of £67,818 was due from debtors relating to invoices that are more than 85 days old, equating to 18.91% of the total debt outstanding. This is deterioration from the previous quarter (14.49%). Increased efforts are being made 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

- 12.4 The ratio of supplier invoices paid within 30 days (or other agreed credit terms) is that 99.71%, 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.

KEVIN WOODWARD
Treasurer

APPENDIX A TO REPORT RC/10/2

FINANCIAL PERFORMANCE INDICATORS 2009/2010

Revenue Budget	Forecast £m	Target £m	Variance (favourable) /adverse %
Forecast Spending	72.165	72.659	(0.68)%
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	9.924	10.236	(0.30%)
Capital Financing Requirement (CFR)	28.515	28.673	(0.05%)
Authorised limit for external debt	26.651	36.628	(27.24%)
Operational boundary for external debt	26.651	33.761	(21.06%)
Investment Income	0.090	0.105	14.29%
	Actual (31 Dec 2009) %	Target %	Variance (favourable) /adverse %
Investment Return	0.88%	0.43%	(0.45)%
Cost of Borrowing	3.80%	4.18%	(0.38)%

Prudential Indicators and Treasury Management Indicators	Actual (31 Dec 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	3.67%	10.00%	0.00%	(6.33)%
12 months to 2 years	3.84%	15.00%	0.00%	(11.16)%
2 years to 5 years	10.83%	30.00%	0.00%	(19.17)%
5 years to 10 years	5.66%	50.00%	0.00%	(44.34)%
10 years and above	76.00%	100.00%	50.00%	(24.00)%

Other Indicators	Actual (31 Dec 2009) %	Target %	Variance (favourable) /adverse %
Aged Debt over 85 days	18.91%	10.00%	8.91%
Payments to Suppliers within 30 days	99.71%	98.00%	(1.71)%

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY						APPENDIX B
Revenue Budget Monitoring Report 2009/10						
Line No		2009/10 Budget	Year To Date Budget	Spending to Month 9	Projected Outturn	Projected Variance over/(under) £000
		£000 (1)	£000 (2)	£000 (3)	£000 (4)	£000 (5)
	SPENDING					
	EMPLOYEE COSTS					
1	Wholetime uniform staff	32,791	24,409	24,256	32,597	(194)
2	Retained firefighters	12,143	8,676	8,563	11,990	(153)
3	Control room staff	2,225	1,654	1,643	2,203	(22)
4	Non uniformed staff	8,539	6,387	6,698	8,821	282
5	Training expenses	1,167	876	623	1,077	(90)
6	Fire Service Pensions recharge	1,955	1,659	1,600	1,898	(57)
		58,820	43,661	43,383	58,586	(234)
	PREMISES RELATED COSTS					
7	Repair and maintenance	939	704	880	916	(23)
8	Energy costs	513	385	242	408	(105)
9	Cleaning costs	379	284	211	343	(36)
10	Rent and rates	1,301	976	993	1,342	41
		3,132	2,349	2,326	3,009	(123)
	TRANSPORT RELATED COSTS					
11	Repair and maintenance	587	440	282	579	(8)
12	Running costs and insurances	1,194	889	803	1,058	(136)
13	Travel and subsistence	1,297	895	882	1,252	(45)
		3,078	2,224	1,967	2,889	(189)
	SUPPLIES AND SERVICES					
14	Equipment and furniture	2,164	1,623	1,816	2,108	(56)
15	Hydrants-installation and maintenance	168	126	73	118	(50)
16	Communications	1,126	845	857	1,058	(68)
17	Uniforms	935	701	848	983	48
18	Catering	141	106	148	166	25
19	External Fees and Services	98	73	48	122	24
20	Partnerships & regional collaborative projects	116	87	82	116	-
		4,748	3,561	3,872	4,671	(77)
	ESTABLISHMENT COSTS					
21	Printing, stationery and office expenses	412	321	277	410	(2)
22	Advertising	75	56	41	73	(2)
23	Insurances	377	336	397	304	(73)
		864	713	715	787	(77)
	PAYMENTS TO OTHER AUTHORITIES					
24	Support service contracts	637	446	377	658	21
		637	446	377	658	21
	CAPITAL FINANCING COSTS					
25	Capital charges	4,655	2,286	2,334	4,386	(269)
26	Revenue Contribution to Capital spending	0	0	0	140	140
		4,655	2,286	2,334	4,526	(129)
27	TOTAL SPENDING	75,934	55,240	54,974	75,126	(808)
	INCOME					
28	Treasury management investment income	-105	-78	-67	-90	15
29	Grants and Reimbursements	-2,201	-1,650	-2,927	-1,931	270
30	Other income	-901	-676	-993	-1,229	(328)
31	Internal Recharges	-68	-51	-45	-68	-
32	Contribution to/from Reserves - Earmarked Reserve	0	0	0	357	357
33	TOTAL INCOME	-3,275	-2,455	-4,032	-2,961	314
34	NET SPENDING	72,659	52,785	50,942	72,165	(494)

2009/2010 CAPITAL PROGRAMME MONITORING STATEMENT
(Based on Spending to December 2009)

PROJECTED SPENDING	2009/2010 Programme	Projected Outturn	Projected Variance (under)/over
	£000	£000	£000
ESTATES			
Exeter Middlemoor	1,702	1,380	(322)
Exeter Danes Castle	1,856	1,780	(76)
Minor improvements and structural maintenance (including 2008/2009 slippage)	1,926	1,528	(398)
Welfare facilities on stations	300	204	(96)
Diversity & equality grant	34	34	-
USAR Works	35	35	-
SHQ building/USAR - 2008/2009 slippage	224	71	(153)
SUB TOTAL - ESTATES	6,077	5,032	(1,045)
FLEET AND EQUIPMENT			
Appliance Replacement	2,034	2,555	521
Specialist Operational Vehicles	392	65	(327)
Appliance Replacement Programme (new starts)	985	1,730	745
Equipment	319	267	(52)
Asset Management Plan System 2008/2009 slippage	177	23	(154)
	252	252	-
SUB TOTAL - FLEET AND EQUIPMENT	4,159	4,892	733
TOTAL PROGRAMME 2009/2010	10,236	9,924	(312)

TO BE FINANCED BY;	£000	£000	£000
External Borrowing	8,882	8,666	(216)
Other Funding;			
Direct Revenue Funding	140	140	-
Capital Grants	914	914	-
Earmarked Reserve	300	204	(96)
TOTAL FINANCING	10,236	9,924	(312)