



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	RC/10/8
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	29 APRIL 2010
SUBJECT OF REPORT	FINANCIAL PERFORMANCE REPORT 2009/2010
LEAD OFFICER	Treasurer
RECOMMENDATIONS	<p>(a) <i>That the budget monitoring position in relation to projected spending against the 2009/2010 revenue and capital budgets be noted;</i></p> <p>(b) <i>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 March 2010. It should be emphasised that this report does not represent the final outturn position in relation to 2009/2010. Further work is required in the coming weeks to finalise the 2009/2010 outturn. The final outturn position will be considered at the full authority meeting to be held on the 28th May 2010.</p> <p>At this stage, projections indicate that revenue spending will be £0.312m less than budget, equivalent to just 0.43% of the total budget. This projection is very much in line with previous reports considered by this committee during the course of the financial year. At this stage no recommendation is made as to how any underspend is to be utilised, subject to the final outturn position</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	Appendix A – Summary of Forecast Performance against 2009/2010 Financial Targets. Appendix B – Subjective Analysis of 2009/2010 Revenue Spending. Appendix C – Capital Monitoring Statement 2009/2010.
LIST OF BACKGROUND PAPERS	

1. **INTRODUCTION**

1.1 This report provides an updated monitoring report for the current financial year, based upon spending to the end of March 2010. It should be emphasised that the figures contained in this report do not represent the final outturn position for 2009/2010, as further work is required to validate some of the figures. For instance details of final claims for retained pay relating to March 2010, will not be known until the end of April 2010 when the April pay run is processed. 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 £72.347m, as compared to an approved budget of £72.659m, representing an underspend of £0.312m, equivalent to just 0.43% 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.

3. **EMPLOYEE COSTS**

Wholetime Staff

3.1 Spending against wholetime pay costs is anticipated to be £0.224m 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 will be £0.208m over budget, primarily as a consequence of above average fire activity, particularly in the last quarter of the financial year.

3.3 It should be emphasised that this figure does not include the financial impact of the Employment Tribunal case under the Part-Time Workers (Less than Favourable Working Conditions) Regulations which ruled in favour of retained firefighters in respect of not enjoying the same rights as their named comparators in relation to access to pension and sickness absence. The complex negotiations between the NJC Employers and the FBU are nearing completion and 'in principle' payments have been agreed to compensate those retained firefighters impacted, backdated to 1 July 2000. It is estimated that the cost to this authority of this settlement is likely to be in the region of £0.500m. A financial provision of £0.497m has already been set aside from previous authority decisions to fund this potential liability, however, until the detail of the payments for each retained firefighter is received and its impact calculated we cannot be sure of the exact figure.

Non-Uniformed Staff

3.4 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 Board, resulting in the deletion of two senior management posts.

Training Expenses

3.5 Savings of £0.129m have been achieved against the training budget, primarily as a consequence of delays in the delivery of planned courses.

Fire Service Pension Costs

3.6 As a result of fewer cases of ill-health retirements than had been budgeted a saving of £0.046m has been achieved against Fire Service Pension Costs.

4. PREMISES RELATED COSTS

Repair and Maintenance

4.1 Whilst spending on estates repair and maintenance is more than budget, this is more than offset by the savings on debt charges emanating from the slippage in capital spending.

Energy Costs

4.2 Spending on energy costs is more than budget as a result of costs associated with the implementation of the Carbon Management Programme e.g. installation of smart meters, in pursuit of the Service target to reduce carbon emissions by 30%.

5. TRANSPORT RELATED COSTS

Repair and Maintenance

5.1 Some slippage in maintenance projects has resulted in savings against this budget line.

Running Costs and Insurances

5.2 As a result of increases in fuel costs not being as high as had been anticipated in the first three quarters of the year, and reductions in insurance claim costs, spending on transport running costs have been less than budget.

6. SUPPLIES AND SERVICES

Equipment and Furniture

6.1 The overspend of £0.102m on equipment and furniture primarily relates to additional equipment costs relating to training activity (fully offset by increased training income).

Communications

- 6.2 As a consequence of the need to support the implementation of the new national radio scheme (Firelink) and the RCC project, a number of other ICT projects have not have been delivered by the end of the financial year, resulting in an underspend against the Communications budget of £0.067m.

7. ESTABLISHMENT COSTS

Insurances

- 7.1 As a consequence of fewer insurance claims to be funded from self-insurance arrangements, savings of £0.119m have been achieved from non-fleet insurances.

8. CAPITAL FINANCING COSTS

- 8.1 As a consequence of slippage in spending against the 2008/2009 and 2009/2010 capital programmes, and savings on leasing costs, overall debt charges for 2009/2010 are £0.317m less than budget.

- 8.2 The savings on debt charges from capital spending slippage has enabled additional capital spending of £0.215m on vehicles and equipment to be financed direct from revenue therefore avoiding the need to borrow.

9. INCOME

Other Income

- 9.1 Income targets have been exceeded by £0.360m, 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

- 9.2 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 not representing the final outturn position for 2009/2010, the figures indicated in this report suggest a very satisfactory position of revenue spending being within 0.43% of the overall budget of £72.659m. It should also be noted that these figures are very much in line with previous projections brought to each meeting of the Resources Committee held during the financial year.

- 10.2 The final financial outturn report for 2009/2010 will be reported to the full authority meeting on the 28th May 2010, once the accounts for 2009/2010 have been closed. That report will make proposals as to how any variation from the overall budget is to be managed.

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 £9.573m, as compared to an agreed programme of £10.311m, resulting in an underspend of £0.738m.

11.2 It should be noted that the previous programme level of £10.236m has been increased by £0.075m. This reflects additional vehicles purchased out from lease arrangements the funding for which has been contained within savings on the revenue leasing line.

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 31 March 2010 was £26.650m, 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, investment income of £0.090m was achieved against an income target of £0.105m, the shortfall being a consequence of the falling interest rates since the budget was set. An average return of 0.84% has been achieved to the end of March 2010, as compared to the average LIBID 7 day rate (industry benchmark), for the same period of 0.39%.

11.5 External borrowing has been taken at an average borrowing rate of 3.75%. 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 March 2010, an amount of £108,672.47 was due from debtors relating to invoices that are more than 85 days old, equating to 23.98% of the total debt outstanding. This is a deterioration to the figures reported for the previous quarter (18.91%). A paper elsewhere on the agenda gives further detail on debt management.

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 97.62%, 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/10/8

FINANCIAL PERFORMANCE INDICATORS 2009/2010

Revenue Budget	Forecast £m	Target £m	Variance (favourable) /adverse %
Forecast Spending	72.347	72.659	(0.43%)
Efficiency Savings to be achieved in 2009/2010	0.906	0.906	0.00%
Cumulative Efficiency Savings from Combination by 2012/1013	3.659	3.000	(21.97%)

Prudential Indicators and Treasury Management Indicators	Forecast £m	Target £m	Variance (favourable) /adverse %
Capital Expenditure	9.573	10.311	(7.16%)
Capital Financing Requirement (CFR)	28.133	28.673	(1.88%)
Authorised limit for external debt	26.651	36.628	(27.24%)
Operational boundary for external debt	26.651	33.761	(21.06%)
Investment Income	0.90	0.105	14.29%
	Actual (31 March 2010) %	Target %	Variance (favourable) /adverse %
Investment Return	0.84%	0.39%	(0.45%)
Cost of Borrowing	3.75%	4.18%	(0.43%)

Prudential Indicators and Treasury Management Indicators	Actual (31 March 2010) %	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	3.60%	10.00%	0.00%	(6.40%)
12 months to 2 years	3.77%	15.00%	0.00%	(11.23%)
2 years to 5 years	12.45%	30.00%	0.00%	(17.55%)
5 years to 10 years	5.56%	50.00%	0.00%	(44.44%)
10 years and above	74.62%	100.00%	50.00%	(25.38%)

Other Indicators	Actual (31 March 2010) %	Target %	Variance (favourable) /adverse %
Aged Debt over 85 days	23.98%	10.00%	13.98%
Payments to Suppliers within 30 days	97.62%	98.00%	0.38%

APPENDIX B TO REPORT RC/10/8

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY				
Revenue Budget Monitoring Report 2009/10				
		2009/10 Budget	Projected Outturn	Projected Variance over/(under)
		£000	£000	£000
		(1)	(2)	(3)
Line No				
	SPENDING			
	EMPLOYEE COSTS			
1	Wholetime uniform staff	32,756	32,532	(224)
2	Retained firefighters	12,145	12,353	208
3	Control room staff	2,226	2,163	(63)
4	Non uniformed staff	8,544	8,890	346
5	Training expenses	1,153	1,024	(129)
6	Fire Service Pensions recharge	1,955	1,909	(46)
		58,779	58,871	92
	PREMISES RELATED COSTS			
7	Repair and maintenance	1,039	1,152	113
8	Energy costs	502	570	68
9	Cleaning costs	374	383	9
10	Rent and rates	1,266	1,282	16
		3,181	3,387	206
	TRANSPORT RELATED COSTS			
11	Repair and maintenance	587	519	(68)
12	Running costs and insurances	1,194	843	(351)
13	Travel and subsistence	1,288	1,237	(51)
		3,069	2,599	(470)
	SUPPLIES AND SERVICES			
14	Equipment and furniture	2,298	2,400	102
15	Hydrants-installation and maintenance	120	87	(33)
16	Communications	1,086	1,019	(67)
17	Uniforms	935	949	14
18	Catering	141	188	47
19	External Fees and Services	67	128	61
20	Partnerships & regional collaborative projects	100	100	-
21	USAR Equipment	25	1	(24)
		4,772	4,872	100
	ESTABLISHMENT COSTS			
22	Printing, stationery and office expenses	413	397	(16)
23	Advertising	89	76	(13)
24	Insurances	377	258	(119)
		879	731	(148)
	PAYMENTS TO OTHER AUTHORITIES			
25	Support service contracts	634	629	(5)
		634	629	(5)
	CAPITAL FINANCING COSTS			
26	Capital charges	4,537	4,220	(317)
27	Revenue Contribution to Capital spending	82	215	133
		4,619	4,435	(184)
28	TOTAL SPENDING	75,933	75,524	(409)
	INCOME			
29	Treasury management investment income	(105)	(90)	15
30	Grants and Reimbursements	(2,200)	(2,117)	83
31	Other income	(901)	(1,261)	(360)
32	Internal Recharges	(68)	(66)	2
33	Contribution to/from Reserves	-	0	-
34	Earmarked Reserve	-	357	357
35	TOTAL INCOME	(3,274)	(3,177)	97
36	NET SPENDING	72,659	72,347	(312)

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

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	1,574	(352)
Welfare facilities on stations	300	160	(140)
Diversity & equality grant	34	34	-
USAR Works	35	35	-
SHQ building/USAR - 2008/2009 slippage	224	70	(154)
SUB TOTAL - ESTATES	6,077	5,033	(1,044)
FLEET AND EQUIPMENT			
Appliance Replacement	2764	4,051	1,287
Specialist Operational Vehicles	532	161	(371)
Equipment	571	123	(448)
Asset Management Plan System	177	15	(162)
Revenue funded vehicles	190	190	-
SUB TOTAL - FLEET AND EQUIPMENT	4,234	4,540	306
TOTAL PROGRAMME 2009/2010	10,311	9,573	(738)

TO BE FINANCED BY;	£000	£000	£000
External Borrowing	8,882	8,284	(598)
Other Funding;			
Direct Revenue Funding	215	215	-
Capital Grants	914	914	-
Earmarked Reserve	300	160	(140)
TOTAL FINANCING	10,311	9,573	(738)