

DEVON & SOMERSET FIRE & RESCUE AUTHORITY



REPORT REFERENCE NO.	RC/11/8
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	22 JULY 2011
SUBJECT OF REPORT	FINANCIAL PERFORMANCE REPORT 2011-2012 – QUARTER 1
LEAD OFFICER	Treasurer to the Authority
RECOMMENDATIONS	<p>(a) <i>That the monitoring position in relation to projected spending against the 2011-2012 revenue and capital budgets be noted.</i></p> <p>(b) <i>That the performance against the 2011-2012 financial targets be noted.</i></p> <p>(c) <i>That the target of below 5% for debt in excess of 85 days old be endorsed (paragraph 10.2)</i></p> <p>(d) <i>That the budget for the capital project for training facilities at Exeter airport be changed to £3m.(paragraph 9.3)</i></p>
EXECUTIVE SUMMARY	<p>This report provides the Committee with the first quarter performance against agreed financial targets for the current financial year.</p> <p>In particular, it provides a forecast of spending against the 2011-2012 Revenue Budget with explanations for the major variations. At this early stage in the financial year it is forecast that spending will be £0.317m less than budget, equivalent to 0.42% of the total budget.</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 Prudential Indicators 2011-2012.
LIST OF BACKGROUND PAPERS	None.

1. **INTRODUCTION**

1.1 This report provides the first quarterly financial monitoring report for the current financial year, based upon the position as at the end of June 2011. As well as providing projections of spending against the 2011-2012 revenue and capital budget, the report also includes forecast performance against other financial performance indicators, including the prudential and treasury management indicators.

1.2 Table 1 below provides a summary of performance against the key financial targets.

TABLE 1 – FORECAST PERFORMANCE AGAINST KEY FINANCIAL TARGETS 2011-2012

	Key Target	Target	Forecast Outturn		Forecast Variance	
			Quarter 1	Previous Quarter	Quarter 1 %	Previous Quarter %
1	Spending within agreed revenue budget	£75.141m	£74.824m	N/A	(0.42)%	N/A
2	Spending within agreed capital budget	£7.040m	£5.781m	N/A	(17.88)%	N/A
3	External Borrowing within Prudential Indicator limit	£31.154m	£29.899m	N/A	(4.20)%	N/A
4	Budget Efficiency Savings in 2011-2012	£1.042m	£0.516m	N/A	50.48%	N/A
5	Debt Ratio (debt charges over total revenue budget)	4.35%	4.32%	N/A	(0.03)%	N/A
6	General Reserve Balance as %age of total budget (minimum)	5.00%	5.93%	N/A	(0.93)%	N/A
			Actual as at 30 June 2011	Previous Quarter	Variance at 30 June 2011 %	Previous Quarter %
7	Aged Debt (debtors more than 85 days old)	5.00%	8.08%* See para 10.3	N/A	3.08%	N/A

1.3 The remainder of the report is split into the three sections of:

- **SECTION A** – Revenue Budget 2010/2011.
- **SECTION B** – Capital Budget and Prudential Indicators 2010/2011.
- **SECTION C** – Other Financial Indicators.

1.3 Each of these sections provides a more detailed analysis of performance, including commentary relating to the major variances.

2. **SECTION A - REVENUE BUDGET 2011-2012**

2.1 Table 2 overleaf provides a summary of the forecast spending against all agreed subjective budget heads, e.g. employee costs, transport costs etc. This table indicates that spending will be £74.824m compared with an agreed budget figure of £75.141m, representing an underspend of £0.317m, equivalent to 0.42% of the total budget.

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TABLE 2

Revenue Budget Monitoring Report 2011/12

Line No		2011/12 Budget	Year To Date Budget	Spending to Month 3	Projected Outturn	Projected Variance over/ (under)
		£000 (1)	£000 (2)	£000 (3)	£000 (4)	£000 (5)
SPENDING						
EMPLOYEE COSTS						
1	Wholetime uniform staff	31,904	8,036	8,073	31,983	79
2	Retained firefighters	11,985	2,580	2,326	11,972	(13)
3	Control room staff	1,947	482	522	2,109	162
4	Non uniformed staff	9,587	2,390	2,226	9,309	(278)
5	Training expenses	1,357	339	451	1,318	(39)
6	Fire Service Pensions recharge	1,999	666	1,830	1,974	(25)
		58,779	14,493	15,428	58,665	(114)
PREMISES RELATED COSTS						
7	Repair and maintenance	1,059	265	173	1,049	(10)
8	Energy costs	687	117	52	664	(23)
9	Cleaning costs	412	103	42	444	32
10	Rent and rates	1,476	647	535	1,457	(19)
		3,634	1,132	802	3,614	(20)
TRANSPORT RELATED COSTS						
11	Repair and maintenance	660	165	44	660	-
12	Running costs and insurances	1,201	441	343	1,121	(80)
13	Travel and subsistence	1,505	277	279	1,500	(5)
		3,366	883	666	3,281	(85)
SUPPLIES AND SERVICES						
14	Equipment and furniture	2,581	643	530	2,553	(28)
15	Hydrants-installation and maintenance	103	26	9	103	-
16	Communications	2,135	534	299	1,978	(157)
17	Uniforms	1,213	303	133	1,196	(17)
18	Catering	180	45	42	167	(13)
19	External Fees and Services	282	70	107	318	36
20	Partnerships & regional collaborative projects	105	26	20	105	-
		6,599	1,647	1,140	6,420	(179)
ESTABLISHMENT COSTS						
21	Printing, stationery and office expenses	433	139	81	388	(45)
22	Advertising	57	14	4	53	(4)
23	Insurances	326	246	134	326	-
		816	399	219	767	(49)
PAYMENTS TO OTHER AUTHORITIES						
24	Support service contracts	588	121	176	568	(20)
		588	121	176	568	(20)
CAPITAL FINANCING COSTS						
25	Capital charges	5,162	88	277	5,125	(37)
26	Revenue Contribution to Exeter Airport Site	750	0	0	750	-
27	Revenue Contribution to Capital spending	0	0	0	0	-
		5,912	88	277	5,875	(37)
28	TOTAL SPENDING	79,694	18,763	18,708	79,190	(504)
INCOME						
29	Treasury management investment income	(100)	(25)	15	(100)	-
30	Grants and Reimbursements	(3,052)	(763)	(776)	(2,913)	139
31	Other income	(1,333)	(334)	(291)	(1,285)	48
32	Internal Recharges	(68)	(17)	(5)	(68)	-
33	TOTAL INCOME	(4,553)	(1,139)	(1,057)	(4,366)	187
34	NET SPENDING	75,141	17,624	17,651	74,824	(317)

2.2 These forecasts are based upon the spending position at the end of June 2011, 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 e.g. 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. Explanations of the more significant variations from budget are explained below in paragraphs 3 to 5 below.

3. EMPLOYEE COSTS

Wholetime Staff

3.1 At this stage it is projected that spending will be £0.079m more than the budget figure. This projection includes assumptions relating the number of officers that will retire during the course of the financial year.

Control Room Staff

3.2 It is forecast that control room staffing costs will be £0.162m more than budget as a result of the need to fund additional staffing to support the major project to explore options for an alternative control room facility.

Non-Uniformed Staff

3.3 It is anticipated that savings of £0.278m will be achieved from this budget from vacancy management.

4. TRANSPORT RELATED COSTS

Running Costs

4.1 Based upon spending so far it is forecast that fuel costs will be under budget by 0.080m. This position may change during the year subject to volatility of fuel prices.

5. SUPPLIES AND SERVICES

Communications Equipment

5.1 It is projected that costs relating to the new Firelink radio system will be £0.137m less than had originally been anticipated. It should be noted that, given that this cost is funded from CLG New Burden Grant income, there will also be an offsetting reduction in grant income (Table 2 line 29).

6. SAVINGS

6.1 As part of the budget setting process in 2011-12 the authority agreed that £1.042m of targeted savings should be found. Progress against these savings requirements are shown overleaf in Table 3.

Table 3 delivery of base budget savings		Targeted Savings required by 31/3/12	Actual to end May 11
<u>DELIVERY OF SAVINGS 2011 - 2012</u>		£000	£000
1	Vacancy Management	(425)	(66)
2	Efficiency savings identified by budget holders	(342)	(342)
3	Dissolution of regional management board	(25)	(25)
4	Restructure of SMB 2010	(50)	(50)
5	Changes to mobilisation arrangements to coresponder calls	(50)	-
6	Changes to mobilisation arrangements to automatic fire alarm calls	(25)	-
7	Share management support/back office functions	(25)	(4)
8	Surplus income from commercial arm	(100)	(29)
TOTAL		(1,042)	(516)

6.2 Based on the above, we are on track to deliver the savings required this year.

7. **RESERVES AND PROVISIONS**

7.1 As well as the funds available to the authority by setting an annual budget, there are also useable reserves and provisions.

7.2 A summary position of Reserves and Provisions, including the recommendations included in this report, is shown in Table 4 overleaf.

Reserves and provisions				
	Remaining balance from previous year	2010-11 carry fwds	Total at year start 2011-12	Spend to date
	£000	£000	£000	£000
Earmarked reserves				
Lundy	25		25	
Positive pressure ventilation training	4		4	
Mobilisation equipment	103	64	167	(113)
Property works	5		5	
Support costs	7		7	
Welfare building works	37		37	
Integrated clothing project	66	422	488	
Change & improvement training		50	50	
Gold command courses		35	35	
Interagency liaison officer costs		36	36	(6)
SHQ office works		50	50	(50)
Grants unapplied in 2010-11		1,374	1,374	(4)
Change & improvement programme		896	896	
CSR 2010		1,191	1,191	
Grand total earmarked reserves	247	4,118	4,365	-173
General reserve				
General fund balance	4,453		4,453	
Total of useable reserves	4,700		8,818	
Percentage of general reserve compared to net budget				5.93%
Provision	Balance from previous year	2010-11 carry fwds	Total at year start 2011-12	Spend to date
	£000	£000	£000	£000
Part time workers - retained fire fighters	1,505		1,505	
Total of provisions	1,505		1,505	

8. SUMMARY OF REVENUE SPENDING

- 8.1 It is pleasing that so early on in the year savings are being predicted against budget. Further updates on the proposed outturn will be presented to future meetings of the Resources Committee together with any proposed actions in relation to significant variations to budgets.

9. SECTION B – CAPITAL PROGRAMME 2011-2012 AND PRUDENTIAL INDICATORS

Monitoring of Capital Spending in 2011-2012

9.1 Table 5 below provides a summary of forecast spending against the agreed 2011-2012 capital programme.

Table 5 Capital programme

Capital Programme (2011/12 to 2013/14)

Item PROJECT	2011/12 £000 Budget	2011/12 £000 Predicted outturn	2011/12 £000 Variation to budget	2012/13 £000 Budget	2013/14 £000 Budget
Estate Development					
1 Exeter Middlemoor	30	30	0		
2 Exeter Danes Castle	10	10	0		
3 SHQ major building works	96	96	0		
4 Major building works - training facilities at Exeter airport	1,000	796	(204)	1,900	
5 Minor improvements & structural maintenance (including slippage)	3,339	2,292	(1,047)	1,750	1,750
6 Welfare facilities	37	37	0		
7 New Dimensions (USAR) works	560	552	(8)		
Estates Sub Total	5,072	3,813	(1,259)	3,650	1,750
Fleet & Equipment					
8 Appliance replacement	397	397	0	1,400	1,700
9 Specialist Operational Vehicles	1,315	1,315	0		
10 Vehicles (funded from revenue)	0	0	0		
11 Equipment	127	127	0	200	200
12 Asset Management Plan (Miquest) software	129	129	0		
Fleet & Equipment Sub Total	1,968	1,968	0	1,600	1,900
Overall Capital Totals	7,040	5,781	(1,259)	5,250	3,650
Programme funding					
Main programme	3,757	2,498	(1,259)	4,500	3,650
Revenue funds	802	802	0	750	0
Grants	2,481	2,481	0	0	0
	7,040	5,781	(1,259)	5,250	3,650

9.2 With a quarter of the year gone, indications are that the capital budget will not be fully spent in 2011/12. Monthly monitoring will continue and if the pattern is maintained then it will mean that a revenue saving may be made in debt charges as a result of having to borrow less.

- 9.3 The budget set for the training facility at the airport site is currently £2.9m (£1m in 2011/12 and £1.9m in 2012/13). It is anticipated that the total cost may now be in the order of £3m. This additional cost can be found from other lines within the estates capital programme, however approval is requested for the budget for this project to be increased to £3m.

Prudential Indicators (including Treasury Management)

- 9.4 Appendix A provides a summary of performance against the agreed Prudential Indicators for 2011-2012.

10. SECTION C - OTHER FINANCIAL PERFORMANCE INDICATORS

Aged Debt Analysis

- 10.1 As at 30 June 2011, an amount of £62,910 (£45,689 as at 31 March 2011) was due from debtors relating to invoices that are more than 85 days old, equating to 18.69% (12.41% as at 31 March 2011) of the total debt outstanding. Table 6 below provides a summary of all debt outstanding as at 30 June 2011.

TABLE 6 – OUTSTANDING DEBT AS AT 30 JUNE 2011

	Total Value £	%age
Current (allowed 28 days in which to pay invoice)	120,527	35.82
1 to 28 days overdue	105,154	31.26
29-56 days overdue	35,010	10.41
57-84 days overdue	12,837	3.82
Over 85 days overdue	62,910	18.69
Total Debt Outstanding as at 30 June 2011	336,438	100.00%

- 10.2 Historically, the target has been to achieve less than 10% of debt over 85 days old. Prompter payment should be an aim in order to maximise the cash available to the authority. It is therefore proposed to reduce the target to 5% and members are asked to endorse this recommendation.
- 10.3 Whilst the value of over 85 days debt of £62,910 exceeds the suggested target of below 5% of total debt, it should be noted that this figure includes an amount of £34,974 owed by two specific debtors which is subject to legal proceedings. If those two debtors were removed from the calculation then our performance would improve to 8.08%.

Payment of Supplier Invoices within 30 days

- 10.4 The authority attempts to pay its suppliers promptly. The target is that 98% of invoices should be paid within 30 days (or other agreed credit terms). At the end of June our performance stood at 97.25% but it should be possible to achieve the target by the end of the financial year.

KEVIN WOODWARD
Treasurer to the Authority

Prudential Indicators and Treasury Management Indicators	Forecast £m	Target £m	Variance (favourable) /adverse
Capital Expenditure	5.781	7.040	(£1.259m)(17.88%)
Capital Financing Requirement (CFR) - Total	31.512	33.039	(£1.527m) (4.62%)
- Borrowing	29.899	31.154	(£1.255m)
- Other long term liabilities	1.613	1.885	(£0.272m)
Authorised limit for external debt - Total	36.843	38.159	(£1.316m) (3.45%)
- Borrowing	35.230	36.229	(£0.999m)
- Other long term liabilities	1.613	1.930	(£0.317m)
Operational boundary for external debt - Total	35.267	36.507	(£1.240m) (3.40%)
- Borrowing	33.735	34.671	(£0.936m)
- Other long term liabilities	1.532	1.836	(£0.304m)
Investment Income – full year	0.100	0.100	£0.000m 0.00%
	Actual (30 June 2011) %	Target for quarter %	Variance (favourable) /adverse
Investment Return	0.82%	0.46%	(0.36) bp
	Forecast £m	Target £m	Variance (favourable) /adverse
Cost of Borrowing – Total	1.234	1.271	(£0.037m) (2.91%)
- Interest on existing debt as at 31-3-11	1.195	1.195	£0.000m
- Interest on proposed new debt in 2011-12	0.39	0.076	(£0.037m)

Prudential Indicators and Treasury Management Indicators	Forecast (31 March 2012) %	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	5.39%	30.00%	0.00%	(24.61%)
12 months to 2 years	6.64%	30.00%	0.00%	(23.36%)
2 years to 5 years	4.28%	50.00%	0.00%	(45.72%)
5 years to 10 years	1.75%	75.00%	0.00%	(73.25%)
10 years and above	81.95%	100.00%	50.00%	(18.05%)