



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	RC/11/10
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	19 OCTOBER 2011
SUBJECT OF REPORT	FINANCIAL PERFORMANCE REPORT 2011-2012 – QUARTER 2
LEAD OFFICER	TREASURER
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 proposal to write-off an outstanding debt for £34,947, as outlined in paragraph 13 of this report, be approved.</i></p>
EXECUTIVE SUMMARY	<p>This report provides the Committee with the second 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. The latest forecast is that spending will be £0.701m less than budget, equivalent to 0.93% 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	Financial Performance Report 2011-12 Quarter 1-as reported to the meeting of Resources Committee on 22 July 2011 Report RC/11/8.

1. INTRODUCTION

1.1 This report provides the second quarterly financial monitoring report for the current financial year, based upon the position as at the end of September 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 2	Previous Quarter	Quarter 2 %	Previous Quarter %
1	Spending within agreed revenue budget	£75.141m	£74.440m	£74.824m	(0.93)%	(0.42)%
2	Spending within agreed capital budget	£7.268m	£6.115m	£5.781m	(15.87)%	(17.88)%
3	External Borrowing within Prudential Indicator limit	£31.154m	£29.899m	£29.899m	(4.20)%	(4.20)%
4	Budget Efficiency Savings in 2011-2012	£1.042m	£0.642m	£0.516m	61.61%	50.48%
5	Debt Ratio (debt charges over total revenue budget)	4.35%	4.27%	4.32%	(0.08)%	(0.03)%
6	General Reserve Balance as %age of total budget (minimum)	5.00%	5.93%	5.93%	(0.93)%	(0.93)%
			Actual as at 30 Sept 2011	Previous Quarter	Variance at 30 Sept 2011 %	Previous Quarter %
7	Aged Debt (debtors more than 85 days old)	5.00%	22.97%	18.68%	17.97%	13.68%

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.

1.4 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 £74.440m compared with an agreed budget figure of £75.141m, representing an underspend of £0.701m, equivalent to 0.93% of the total budget.

TABLE 2 – FORECAST REVENUE OUTTURN 2011-12

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY						
Revenue Budget Monitoring Report 2011/12						
Line No	SPENDING	2011/12 Budget £000 (1)	Year To Date Budget £000 (2)	Spending to Month 6 £000 (3)	Projected Outturn £000 (4)	Projected Variance over/ (under) £000 (5)
EMPLOYEE COSTS						
1	Wholetime uniform staff	31,948	15,989	16,197	32,127	179
2	Retained firefighters	11,965	5,567	5,034	11,770	(195)
3	Control room staff	1,947	969	1,038	2,079	132
4	Non uniformed staff	9,565	4,775	4,481	9,289	(276)
5	Training expenses	1,354	677	536	1,299	(55)
6	Fire Service Pensions recharge	1,999	1,166	1,349	1,969	(30)
		58,778	29,143	28,635	58,533	(245)
PREMISES RELATED COSTS						
7	Repair and maintenance	1,065	533	528	1,052	(13)
8	Energy costs	667	279	124	587	(80)
9	Cleaning costs	432	216	136	442	10
10	Rent and rates	1,476	738	868	1,506	30
		3,640	1,766	1,656	3,587	(53)
TRANSPORT RELATED COSTS						
11	Repair and maintenance	653	326	172	626	(27)
12	Running costs and insurances	1,196	669	560	1,133	(63)
13	Travel and subsistence	1,503	653	609	1,533	30
		3,352	1,648	1,341	3,292	(60)
SUPPLIES AND SERVICES						
14	Equipment and furniture	2,376	1,187	1,180	2,249	(127)
15	Hydrants-installation and maintenance	103	51	27	103	-
16	Communications	2,163	1,082	733	1,992	(171)
17	Uniforms	1,213	607	262	1,183	(30)
18	Catering	180	90	97	180	-
19	External Fees and Services	302	151	154	321	19
20	Partnerships & regional collaborative projects	91	46	34	91	-
		6,428	3,214	2,487	6,119	(309)
ESTABLISHMENT COSTS						
21	Printing, stationery and office expenses	428	232	142	394	(34)
22	Advertising	57	28	11	36	(21)
23	Insurances	326	273	151	326	-
		811	533	304	756	(55)
PAYMENTS TO OTHER AUTHORITIES						
24	Support service contracts	587	267	303	623	36
		587	267	303	623	36
CAPITAL FINANCING COSTS						
25	Capital charges	5,137	1,830	799	5,029	(108)
26	Revenue Contribution to Exeter Airport Site	750	0	0	750	-
27	Revenue Contribution to Capital spending	229	0	0	229	-
		6,116	1,830	799	6,008	(108)
28	TOTAL SPENDING	79,712	38,401	35,525	78,918	(794)
INCOME						
29	Treasury management investment income	(100)	(50)	(32)	(155)	(55)
30	Grants and Reimbursements	(3,052)	(1,526)	(1,593)	(2,920)	132
31	Other income	(1,351)	(675)	(661)	(1,337)	14
32	Internal Recharges	(68)	(34)	(29)	(66)	2
33	TOTAL INCOME	(4,571)	(2,285)	(2,315)	(4,478)	93
34	NET SPENDING	75,141	36,116	33,210	74,440	(701)

- 2.2 These forecasts are based upon the spending position at the end of September 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 8 below.

3. EMPLOYEE COSTS

Wholetime Staff

- 3.1 At this stage it is projected that spending on wholetime pay will be £0.179m more than the budget figure. This projection makes assumptions in relation to the timing of when officers will retire therefore generating vacancy savings during the course of the financial year.

Retained Pay Costs

- 3.2 Spending is forecast to be £0.195m under budget. In making this projection an assumption has been made that activity levels in the remainder of the financial year are consistent with the average for the same period for the last three 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.

Control Room Staff

- 3.3 It is forecast that control room staffing costs will be £0.132m more than budget as a result of the need to fund additional staffing to support the project to explore options for an alternative control room facility.

Non-Uniformed Staff

- 3.4 It is anticipated that savings of £0.276m will be achieved from this budget primarily as a result of management action to hold vacancies where possible.

4. PREMISES RELATED COSTS

Energy Costs

- 4.1 It is anticipated that energy costs will be £0.080m less than budget primarily as a result of the impact of carbon management initiatives introduced during 2010 to monitor and reduce usage e.g. installation of smart meters into fire stations.

5. TRANSPORT RELATED COSTS

Running Costs

- 5.1 Based upon spending so far it is forecast that fuel costs will be under budget by 0.063m. This position could very well change during the year subject to the volatility of fuel prices.

6. SUPPLIES AND SERVICES

Equipment and Furniture

- 6.1 It is forecast that spending against this budget line will be £0.127m less than budget primarily as a result of budget holders restricting spending in this area to essential items only.

Communications Equipment

6.2 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 30).

7. CAPITAL FINANCING COSTS

Capital Charges

7.1 As a result of slippage in spending against the capital programme, and savings on leasing costs, it is forecast that the capital financing costs will be £0.108m less than budget.

8. INCOME

Treasury Management Investment Income

8.1 At this stage it is anticipated that the target for investment income will be overachieved by £0.055m. This results from a better than forecast cash position in the first half of the financial year.

9. DELIVERY OF SAVINGS IN 2011-12

9.1 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 below in Table 4.

TABLE 4 – DELIVERY OF BUDGET SAVINGS 2011-12

		Targeted savings required by 31/3/12	Actual to end August 2011
		£000	£000
1	Vacancy Management	(425)	(191)
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 co-responder calls	(50)	-
6	Changes to mobilisation arrangements to automatic fire alarm calls	(25)	-
7	Share management support/back office functions	(25)	-
8	Surplus income from commercial arm	(100)	(34)
	TOTAL	(1042)	(642)

9.2 Based on the savings so far achieved the Service can be confident that the target of £1.042m will be overachieved by the year-end.

10. RESERVES AND PROVISIONS

10.1 As well as the funds available to the authority by setting an annual budget, the Authority also holds reserve and provision balances.

Reserves

10.2 There two types of Reserves held by the Authority:

Earmarked Reserves – these reserves are held to fund a **specific** purpose and can only be used to fund spending associated with that specific purpose. Should it transpire that not all of the agreed funds are required then the agreement of the Authority would be sought to decide how any remaining balance is to be utilised.

General Reserve – usage from this Reserve is **non-specific** and is held to fund any unforeseen spending that had not been included in the base budget e.g. excessive operational activity resulting in significant retained pay costs.

Provisions

10.3 In addition to reserves the Authority may also hold provisions which can be defined as:

Provisions – a Provision is held to provide funding for a liability or loss that is known with some certainty will occur in the future, but the timing and amount is less certain.

10.4 A summary of predicted balances on Reserves and Provisions is shown in Table 5 below. These figures exclude any potential in-year transfers to/from the revenue budget in the current financial year.

TABLE 5 – ESTIMATED RESERVE AND PROVISION BALANCES AS AT 31 MARCH 2012

	Balance as at 1 April 2011 £000	Spending to Quarter 2 2011 £000	Projected Outturn £000	Projected Balance as at 31 March 2012 £000	
RESERVES					
Earmarked reserves					
Lundy Island Fire Cover	25	-	-	25	
Positive pressure ventilation training	4	-	4	0	
Mobilisation equipment	167	113	167	0	
Property works	55	45	55	0	
Support costs	7	-	7	0	
Welfare building works	37	-	37	0	
Integrated clothing project	488	358	488	0	
Change & improvement training	50	7	50	0	
Gold command courses	35	6	35	0	
Interagency liaison officer costs	36	12	36	0	
Grants unapplied in 2010-11	1,374	324	964	410	
Change & improvement programme	896	-	896	0	
CSR 2010	1,191	-	-	1,191	
Total earmarked reserves	4,365	865	2,739	1,626	
General reserve					
General fund balance	4,453			4,453	
Percentage of general reserve compared to net budget					5.93%
TOTAL RESERVE BALANCES	8,818			6,079	
PROVISIONS					
Part time workers - retained fire fighters	1,505	-	643	862	
TOTAL PROVISIONS	1,505	-	643	862	

11. SUMMARY OF REVENUE SPENDING

- 11.1 Whilst there are still six months of the financial year to go it is pleasing that spending to date would indicate that the Authority will be delivering an underspend against its total revenue budget.
- 11.2 At this stage there are no recommendations contained within this report as to how the forecast underspend will be utilised. Further updates on the predicted outturn will be presented to future meetings of the Resources Committee together with any proposed actions in relation to significant variations to budgets. In the meantime officers of the Authority will continue to carry out robust monitoring of spending in the remainder of the financial year.

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

Monitoring of Capital Spending in 2011-2012

- 12.1 Table 6 overleaf provides a summary of forecast spending against the agreed 2011-2012 capital programme. Latest projection is for capital spending to be £6.115m against a total programme of £7.268m, resulting in slippage in spending of £1.153m. It should be noted that the total programme has increased by £0.228m from the previous report, to include:
- a. Inclusion of £0.180m to fund the purchase of the ICT solution “Middleware” to enable more efficient access and integration of data, as approved at the last Resources Committee meeting held on the 22 July 2011 (minute RC/6 refers).
 - b. A further £0.048m to fund a number of capital items to be funded from revenue contributions to capital.
- 12.2 As these additional spending items are to be funded from revenue contributions, there is no increase in the external borrowing requirement as a result of this spending.

TABLE 6 – CAPITAL SPENDING 2011-12

Capital Programme (2011/12 to 2013/14)		2011/12	2011/12	2011/12	2012/13	2013/14
Item	PROJECT	£000	£000	£000	£000	£000
		Budget	Predicted outturn	Variation to budget	Budget	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)	2,000	
5	Minor improvements & structural maintenance (including slippage)	3,356	2,415	(941)	1,650	1,750
6	Welfare facilities	37	37	0		
7	New Dimensions (USAR) works	560	552	(8)		
Estates Sub Total		5,089	3,936	(1,153)	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)	31	31	0		
11	Equipment	127	127	0	200	200
12	Asset Management Plan (Miquest) software	129	129	0		
13	Systems integration	180	180	0		
Fleet & Equipment Sub Total		2,179	2,179	0	1,600	1,900
Overall Capital Totals		7,268	6,115	(1,153)	5,250	3,650
Programme funding						
	Main programme	3,757	2,604	(1,153)	4,500	3,650
	Revenue funds	1,030	1,030	0	750	0
	Grants	2,481	2,481	0	0	0
		7,268	6,115	(1,153)	5,250	3,650

12.3 Table 6 also details how predicted spending of £6.115m is to be financed. The estimated slippage in spending will result in a reduction in the need to borrow in the year, resulting in revenue savings on debt charges.

Prudential Indicators (including Treasury Management)

12.4 As a consequence of slippage against the current year capital programme there will be no breach of any of the Authority Prudential Indicators. Actual external borrowing as at 30 September 2011 is £27.909m, forecasting to increase to £29.899m by 31 March 2011, as a result of the need to borrow later in the year. This borrowing level is well below the Authorised Limit for external debt of £38.159m (the absolute maximum the Authority has agreed as affordable).

- 12.5 Income from the investment of working balances into short-term deposits is forecast to yield £0.155m, which exceeds the targeted figure of £0.100m. This is primarily as a consequence of higher levels of working balances being available for investment than anticipated. To date, investment returns have yielded an average return of 0.82%, which out performs the LIBID 3 Month return (industry benchmark) of 0.72% for the same period.
- 12.6 Appendix A provides a summary of performance against all of the agreed Prudential Indicators for 2011-2012.

13. SECTION C - OTHER FINANCIAL PERFORMANCE INDICATORS

Aged Debt Analysis

- 13.1 Total debtor invoices outstanding as at 30 September 2011 is £253,474, an improvement on the previous quarter figure of £336,910.
- 13.2 Of this figure an amount of £58,231 (£62,910 as at 30 June 2011) was due from debtors relating to invoices that are more than 85 days old, equating to 22.97% (18.68% as at 31 June 2011) of the total debt outstanding. Table 7 below provides a summary of all debt outstanding as at 30 September 2011.

TABLE 7- OUTSTANDING DEBT AS AT 30 SEPTEMBER 2011

	Total Value £	%
Current (allowed 28 days in which to pay invoice)	57,743	22.78%
1 to 28 days overdue	136,191	53.73%
29-56 days overdue	1,309	0.52%
57-84 days overdue	-	-
Over 85 days overdue	58,231	22.97%
Total Debt Outstanding as at 30 September 2011	253,474	100.00%

Proposal for Debt Write-off

- 13.3 The total debt figure of £253,474 is net of a specific debt of £34,974 from Debtor X which, following legal advice, is now proposed to be written-off as not recoverable.
- 13.4 This particular debt is a long standing one relating to the delivery of a number of training courses to Debtor X between March and September 2009, total value of £36,974. Following the non-payment of debts within the agreed terms, debt recovery procedures were commenced by the Risk and Insurance Officer in October 2009, which also involved advice and support from the Service's solicitors, Veitch Penny of Exeter.
- 13.5 This action resulted in the Service obtaining a court judgement against Debtor X for the total amount, and they were in the process of taking enforcement action with the High Court Enforcement Officer when the company went into liquidation. A payment of £2,000 had been made reducing the debt to £34,974 but no more was received.

- 13.6 The Insolvency Service had reported that Debtor X had no assets, but Veitch Penny did persuade them to also investigate a new company that had been created by former employees of Debtor X. However, Veitch Penny has now advised the Service that the Insolvency Service has now completed their investigations into the new company and confirmed that there are no assets with which they would be able to pay a dividend to the various creditors.
- 13.7 Given this latest position Veitch Penny has therefore concluded that unfortunately this debt will not be recovered and should be written-off.
- 13.8 The Authority's Financial Regulations (Regulation D6) require that any proposal for debt write-off in excess of £10,000 is approved by the Resources Committee. This proposal is therefore included within this report for consideration and approval.

Payment of Supplier Invoices within 30 days

- 13.9 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 September 2011, performance stood at 97.9% but it should be possible to achieve the target by the end of the financial year.

KEVIN WOODWARD
Treasurer to the Authority

PRUDENTIAL INDICATORS 2011-2012

Prudential Indicators and Treasury Management Indicators	Forecast £m	Target £m	Variance (favourable) /adverse
Capital Expenditure	6.115	7.268	(£1.153m)
Capital Financing Requirement (CFR) - Total	31.512	33.039	(£1.527m)
- Borrowing	29.899	31.154	
- Other long term liabilities	1.613	1.885	
Authorised limit for external debt - Total	31.512	38.159	(£6.647m)
- Borrowing	29.899	36.229	
- Other long term liabilities	1.613	1.930	
Investment Income – full year	0.155	0.100	(£0.055m)
Cost of Borrowing – Total	1.234	1.271	(£0.037m)
- Interest on existing debt as at 31-3-11	1.195	1.195	
- Interest on proposed new debt in 2011-12	0.39	0.076	
	Actual (30 Sept 2011) %	Target for quarter %	Variance (favourable) /adverse
Investment Return	0.82%	0.72%	(0.10) bp

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%)