

DEVON & SOMERSET FIRE & RESCUE AUTHORITY



REPORT REFERENCE NO.	RC/12/5
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	18 MAY 2012
SUBJECT OF REPORT	FINANCIAL PERFORMANCE REPORT 2011/2012 – QUARTER 4
LEAD OFFICER	Treasurer to the Authority
RECOMMENDATIONS	<p>(a) That the Fire and Rescue Authority, at its meeting on the 30 May 2012, be recommended to approve:</p> <p>(i) That the underspend against the 2011-12 revenue budget of £1.272m be utilised to fund the following transfers to Earmarked Reserves, as outlined in paragraph 11.1 of this report:</p> <ul style="list-style-type: none"> A. That an amount of £0.300m be transferred to a Commercial Services (Invest-to-Save) Reserve; B. That an amount of £0.350m be transferred to a Capital Funding Reserve to provide further direct revenue funding to capital spending; C. That the remaining figure of £0.622m be transferred to the Comprehensive Spending Review (CSR) 2010 Budget Strategy Reserve; <p>(ii) That an amount of £0.420m within Earmarked Reserves be transferred to the General Reserve, as outlined in paragraph 13.5 of this report;</p> <p>(b) That, subject to (a) above, the following be noted:</p> <ul style="list-style-type: none"> A. The draft position in respect of the 2011-12 Revenue and Capital Outturn position, as indicated in this report. B. That the underspend figure of £1.272m is after; <ul style="list-style-type: none"> I. A transfer of £2.042m to the Grants Unapplied Reserve, as required under International Financial Reporting Standards (IFRS) relating to grants received during the financial year but not utilised.

	<p>II. A transfer of £0.716m to the Capital Funding Earmarked Reserve, relating to agreed revenue funding towards capital spending not utilised.</p> <p>III. An increase of £0.348m in the Provision set aside to fund the impact of the Employment Tribunal relating to Part Time Workers (Less than Favourable Working Conditions), as outlined in paragraph 3.5 of this report.</p> <p>(c) That the performance against agreed financial targets be noted.</p>
EXECUTIVE SUMMARY	<p>This report provides an updated position in relation to the Authority's performance against the agreed financial targets for the financial year 2011-2012, based upon the position at the end of the fourth quarter i.e. as at 31 March 2012.</p> <p>In particular, the report provides a draft financial outturn position against the 2011-2012 revenue budget, which indicates that spending is £1.272m less than budget, equivalent to 1.69% of the total budget. It should be noted that at this stage the outturn can only be regarded as provisional as some figures are still to be verified. A final outturn position will be considered at the full Fire Authority meeting to be held on the 30th May 2012.</p>
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY RISKS AND BENEFIT 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 2011-2012 – Quarter 3 (RC/12/1) to Resources Committee 3 February 2012.

1. **INTRODUCTION**

1.1 This report provides the final (quarter 4) financial monitoring report in relation to the financial year 2011-12, based upon the spending position as at 31 March 2012. As well as providing a draft outturn position against the 2011-2012 revenue and capital budget, the report also includes performance against other financial performance indicators, including 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 4 %	Previous Quarter %	Quarter 4 %	Previous Quarter %
1	Spending within agreed revenue budget	£75.141m	£73.869m	£74.190m	(1.69)%	(1.26)%
2	Spending within agreed capital budget	£7.580m	£3.341m	£4.068m	(55.92)%	(44.81)%
3	External Borrowing within Prudential Indicator limit	£31.154m	£27.066m	£27.066m	(13.12)%	(13.12)%
4	Budget Efficiency Savings in 2011-2012	£1.042m	£1.188m	£1.139m	114.01%	109.31%
5	Debt Ratio (debt charges over total revenue budget)	4.35%	4.11%	4.14% *	(0.24)bp	(0.21)bp
6	General Reserve Balance as %age of total budget (minimum)	5.00%	6.49%	5.93% *	(1.49)bp	(0.93)bp
			Actual as at 31 March 2012 %	Previous Quarter %	Variance at 31 March 2012 %	Previous Quarter %
7	Aged Debt (debtors more than 85 days old)	5.00%	3.02%	14.97% *	(1.98)bp	9.97bp

*bp = base points

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

- **SECTION A** – Revenue Budget 2011/2012.
- **SECTION B** – Capital Budget and Prudential Indicators 2011/2012.
- **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 draft outturn position against all agreed subjective revenue budget heads, e.g. employee costs, transport costs etc. This table reports final spending to be £73.869m compared with an agreed budget figure of £75.141m, representing an underspend of £1.272m, equivalent to 1.69% of the total budget (compared with a forecast underspend of £0.958m as at Quarter 3).
- 2.2 The increase in the underspend from the previous quarter is largely due to the fact that retained pay costs are significantly less than previous forecast as a result of fewer operational calls than had been anticipated. As Members will be aware, by its very nature retained pay costs can be subject to significant variations e.g. volatility to spending caused from spate weather conditions, which makes forecasts of spending more difficult than other more predictable budget heads. A more detailed analysis of this variation together with explanations of other significant variations from budget are provided in paragraphs 3 to 10 below.

TABLE 2 – REVENUE OUTTURN 2011-12

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY						
Provisional Revenue Outturn 2011-12						
	2011/12 Budget	Year To Date Budget	Spending to Month 12	Draft Outturn	Variance over/ (under)	
	£000	£000	£000	£000	£000	£000
Line No	(1)	(2)	(3)	(3)	(4)	(4)
SPENDING						
EMPLOYEE COSTS						
1	Wholetime uniform staff	32,115	32,115	32,454	32,454	339
2	Retained firefighters	11,895	11,895	10,955	11,303	(592)
3	Control room staff	1,948	1,948	2,388	2,388	440
4	Non uniformed staff	9,377	9,377	9,454	9,454	77
5	Training expenses	1,363	1,363	1,031	1,031	(332)
6	Fire Service Pensions recharge	1,999	1,999	2,116	2,116	117
		58,697	58,697	58,398	58,746	49
PREMISES RELATED COSTS						
7	Repair and maintenance	1,056	1,056	1,039	1,039	(17)
8	Energy costs	631	631	461	461	(170)
9	Cleaning costs	438	438	363	363	(75)
10	Rent and rates	1,469	1,469	1,408	1,408	(61)
		3,594	3,594	3,271	3,271	(323)
TRANSPORT RELATED COSTS						
11	Repair and maintenance	653	653	511	493	(160)
12	Running costs and insurances	1,196	1,196	1,226	1,139	(57)
13	Travel and subsistence	1,502	1,502	1,463	1,462	(40)
		3,351	3,351	3,200	3,094	(257)
SUPPLIES AND SERVICES						
14	Equipment and furniture	2,349	2,349	2,228	2,193	(156)
15	Hydrants-installation and maintenance	105	105	134	134	29
16	Communications	2,138	2,138	1,985	1,985	(153)
17	Uniforms	1,211	1,211	877	887	(324)
18	Catering	180	180	222	222	42
19	External Fees and Services	320	320	419	419	99
20	Partnerships & regional collaborative projects	152	152	128	128	(24)
		6,455	6,455	5,993	5,968	(487)
ESTABLISHMENT COSTS						
21	Printing, stationery and office expenses	416	416	357	357	(59)
22	Advertising	57	57	37	37	(20)
23	Insurances	326	326	285	285	(41)
		799	799	679	679	(120)
PAYMENTS TO OTHER AUTHORITIES						
24	Support service contracts	604	604	726	726	122
		604	604	726	726	122
CAPITAL FINANCING COSTS						
25	Capital charges	4,757	4,757	4,720	4,720	(37)
26	Revenue Contribution to Capital spending	1,436	1,436	720	720	(716)
		6,193	6,193	5,440	5,440	(753)
27	TOTAL SPENDING	79,693	79,693	77,707	77,924	(1,769)
INCOME						
28	Treasury management investment income	(100)	(100)	(213)	(213)	(113)
29	Grants and Reimbursements	(3,053)	(3,053)	(4,921)	(4,921)	(1,868)
30	Other income	(1,331)	(1,331)	(1,601)	(1,609)	(278)
31	Internal Recharges	(68)	(68)	(70)	(70)	(2)
32	TOTAL INCOME	(4,552)	(4,552)	(6,805)	(6,813)	(2,261)
33	NET SPENDING	75,141	75,141	70,902	71,111	(4,030)
TRANSFER TO EARMARKED RESERVES						
34	Grants Unapplied	-	-	726	2,042	2,042
35	Capital Funding	-	-	-	716	716
36	TOTAL TRANSFERS TO EARMARKED RESERVES	-	-	726	2,758	2,758
37	TOTAL NET SPENDING	75,141	75,141	726	73,869	(1,272)

3. EMPLOYEE COSTS

Wholetime Staff

3.1 Whilst spending on wholetime pay costs is £0.339m more than the agreed budget this represents just 1.01% of the total wholetime pay budget.

Retained Pay Costs

3.2 Spending against the retained pay budget is reported as £0.592m under budget. As has been highlighted in each previous monitoring reports to this Committee, forecasts of spending against retained pay costs can be very difficult to predict given the fact that the majority of retained staff are paid on a 'pay as you go basis' which means that costs are directly related to the number of retained mobilisations.

3.3 For 2011-12 the total number of retained mobilisations is 10% down on the previous year, from 16,764 to 15,056. Charts 1 and 2 illustrate the trend in retained mobilisations over the period 2009-10 to 2011-12.

CHART 1 - Number of Retained Appliance Mobilisations

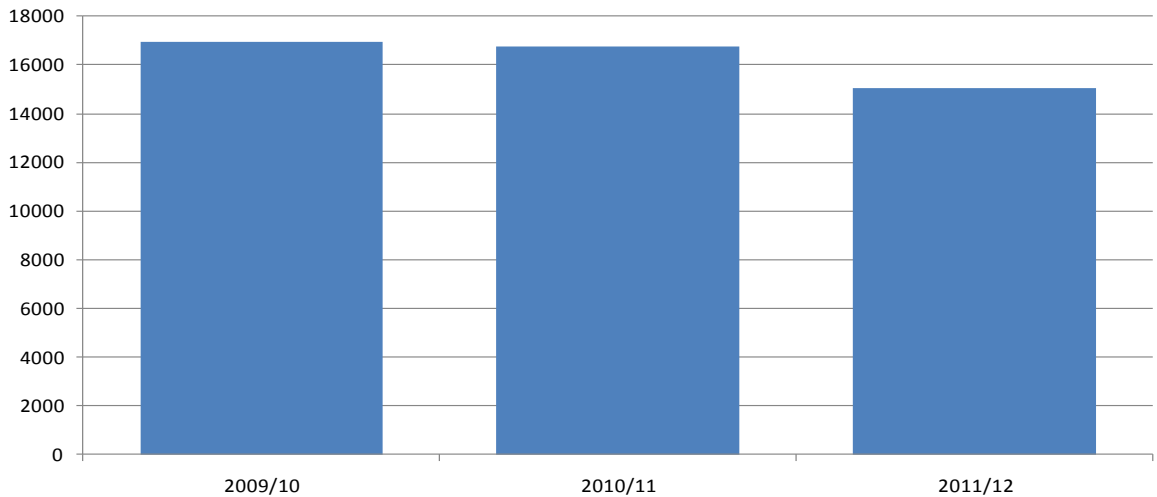
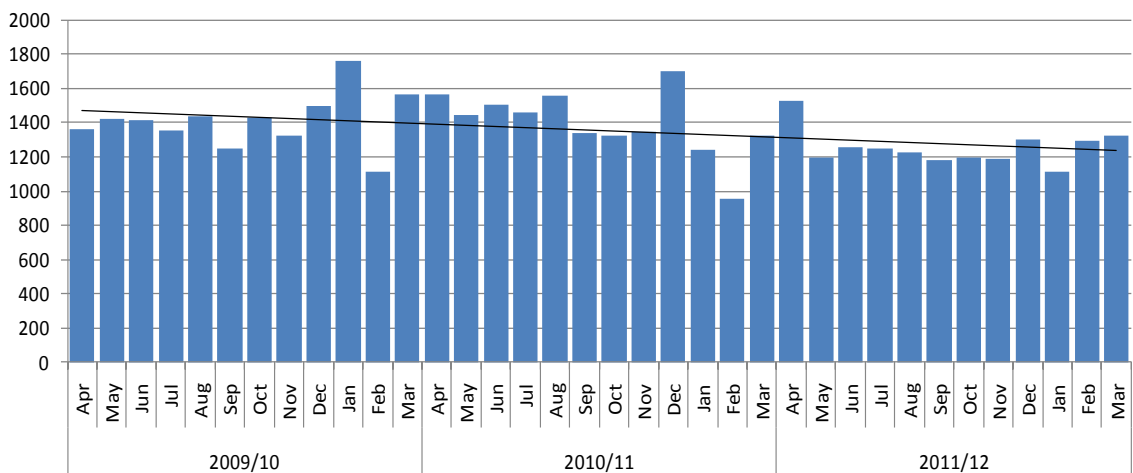


CHART 2 - Retained Mobilisations by Month



3.4 It should be noted that this figure of £0.592m is net of an additional provision of £0.348m for future costs in relation to the impact of the Employment Tribunal case made in 2010 under the Part Time Workers (Less than Favourable Working Conditions) Regulations. Members will recall that the Tribunal ruled that the claimants (retained staff) were engaged in broadly the same work as their named comparators (wholetime staff) and that they had been treated less favourably in respect of conditions of service e.g. access to pensions, sickness payments etc.

3.5 For Devon and Somerset FRA, as the largest employer of retained firefighters in the UK, the financial impact of this ruling is significant, particularly as the ruling includes backdated payments to the year 2000. The Authority has prudently already set aside funds of £1.505m into a Provision from previous years underspends to fund these payments. It is an accounting requirement that this Provision is reviewed at the year-end to ensure, as far as possible, that sufficient sums are made available to pay for the payments when they are actually made in the future.

3.6 The latest circular issued by the National Joint Council for Employers provided further details of the negotiated settlement, including the amounts of compensatory payments to be paid, although it does not include the element relating to pension rights, which will be subject to further negotiations between the Fire Brigades Union and the Department of Communities and Local Government (CLG). Based on the most recent information it is now estimated that this first phase of the settlement will cost the Authority an amount of £0.990m, and that the pension element will be £0.863m, giving a total liability of £1.853m. As this cost is £0.348m in excess of the existing Provision set aside, it is required to charge this amount to the 2011-2012 revenue account to increase the Provision to the required level.

Control Room Staff

3.7 Spending against control room staffing is £0.440m more than budget. This figure includes the one-off costs associated with the project to amalgamate the existing two control rooms into a single consolidated control room from April 2012 (Minute DSFR/51 of the Fire and Rescue Authority meeting held on the 7 November 2011 refers).

Non-Uniformed Staff

3.8 Whilst spending against non-uniformed staff is £0.077m more than budget it should be noted this includes costs of £0.179m relating to supporting the Change and Improvement Programmes which had originally been anticipated would need to be funded from Earmarked Reserves.

Training Expenses

3.9 As a consequence of the rationalisation of costs associated with the Assessment Development Centre (ADC) process, and the slippage in the delivery of some courses a saving of £0.332m has been achieved against this budget head.

Firefighter Pension Costs

3.10 Spending against pension costs is £0.117m more than budget as a result of back-dated injury benefit payments due to pensioners following a review prompted by the National Fraud Initiative (NFI).

4. PREMISES RELATED COSTS

Energy Costs

- 4.1 A saving of £0.170m has been achieved from utility costs primarily as a consequence of less usage and the impact of new initiatives to monitor and reduce usage e.g. installation of smart meters into fire stations.

5. TRANSPORT RELATED COSTS

Repair and Maintenance

- 5.1 An underspend against this budget line of £0.160m is primarily as a result of savings achieved on maintenance contracts and some slippage of projects.

6. SUPPLIES AND SERVICES

Equipment and Furniture

- 6.1 Spending against this budget line is £0.156m less than budget primarily as a result of budget holders restricting spending in this area to essential items only.

Communications Equipment

- 6.2 Whilst spending on communications equipment is £0.153m less than anticipated, due to reduced costs associated with the new Firelink radio system, it should be noted that this saving is offset by a consequent reduction in grant funding from the CLG who are funding these costs from New Burden grants (Table 2 line 30).

Uniforms

- 6.3 The underspend on the uniforms budget reflects delays in the phased roll out of the replacement Personal Protective Equipment (PPE).

External Fees and Services

- 6.4 Spending reported against this budget line includes costs of £0.066m to support the delivery of those key projects identified through the Change and Improvement Programmes.

7. PAYMENTS TO OTHER AUTHORITIES

External Support Services

- 7.1 Spending on this budget head is £0.122m more than budget, primarily from additional Occupational Health Unit costs associated with the need to address a significant backlog of firefighter medical reviews and counselling requirements.

8. CAPITAL FINANCING COSTS

Capital Charges

- 8.1 Elsewhere in this report (Table 6) is the final outturn position in relation to 2011-12 capital spending which identifies that there has been some significant slippage in spending against some capital projects. As a consequence of this slippage there has been no requirement to seek any additional borrowing during the financial year resulting in savings in debt charges.

Revenue Contribution to Capital Spending

- 8.2 A further consequence of the slippage in capital spending outlined above in paragraph 8.1 is that not all of the agreed Revenue Contribution to Capital Spending will be required in 2011-12. The balance of £0.716m not utilised is required to be carried forward into 2012-13 by transferring into an Earmarked Reserve, in order that it is available to be applied, as has been approved, when that spending takes place in 2012-13.

9. INCOME

Treasury Management Investment Income

- 9.1 Investment decisions made during the year, and a better than anticipated cash position, has resulted in investment income exceeding the original target by £0.113m.

Grants and Reimbursements

- 9.2 Whilst the Authority has received £1.868m more in grant income than budgeted, it should be emphasised that of the total grants received during the year an amount of £2.042m relates to grants that have been received by outside bodies to fund a specific purpose, but which have not been spent by the year-end. Under the International Financial Reporting Standards (IFRS), any such grant, where there is no requirement for it to be repaid if not spent at year-end, is to be identified to the Committee and carried forward into the next financial year by way of a transfer into an Earmarked Reserve. This Reserve will then fund those projects for which the grants were originally intended when expenditure is incurred. An analysis of such grants is shown in Table 3 below.

Other Income

- 9.3 Income targets have been overachieved by £0.278m, primarily as a result of the more commercial approach applied by the Training Academy in relation to the delivery of training courses to external clients.

10. CONTRIBUTION TO EARMARKED RESERVES

- 10.1 The 2011-12 outturn figures in Table 2 includes two transfers to Earmarked Reserves, as follows:
- **Grants Unapplied (£2.042m)** – as is outlined in paragraph 9.2 of this report, under the new IFRS accounting arrangements, any unused grants at the year-end, which are not subject to repayment are to be identified and carried forward to 2011-12. An analysis of such grants is shown in Table 3 below.

TABLE 3 – UNSPENT GRANTS TO BE CARRIED FORWARD TO 2012-2013

Grant Received From	£m	Purpose of Grant
Department of Communities and Local Government (CLG)	(1.800)	To fund the new Network control systems.
Department of Communities and Local Government (CLG)	(0.120)	To fund Urban Search and Rescue (USAR) costs associated with staffing, training equipment and accommodation.
Department of Communities and Local Government (CLG)	(0.100)	To fund equipment and upgrade of existing DSFRS Incident Command Unit and crew training.
Devon County Council	(0.015)	To fund fire safety equipment in relation to domestic violence.
Devon County Council	(0.004)	To fund Learn-to-Live road shows as per grant allocation.
Insure the Box Limited	(0.003)	To fund Learn-to-Live road shows as per grant allocation.
TOTAL	(2.042)	

- **Capital Funding Reserve (£0.716m)**. As is reported in paragraph 15.2 of this report there has been significant slippage in capital spending in 2011-12 therefore reducing the amount of capital funding required. As a consequence of this slippage only £0.720m of the agreed direct revenue funding is required to be applied. The remaining balance of £0.716m is required to be carried forward to 2012-13, through an earmarked reserve, to fund the capital spending when it is actually incurred.

11. PROPOSALS FOR UTILISATION OF THE UNDERSPEND

11.1 It is proposed that the underspend of £1.272m is utilised to fund three further transfers into Earmarked Reserves, as follows:

- (a) **Commercial Services Activities (£0.300m)** - Members will be well aware of the strategic aim to increase income generation by identifying new commercial opportunities for trading. The Commercial Services Committee, at its meeting on the 5th May, received an update from the Chief Fire Officer on the development of the strategic business plan for commercial activities including aspirations for potential income targets for the next 5 years. It was agreed that whilst the Committee should be ambitious in terms of setting income targets, a balance also has to be given as to what is realistic within that timeframe and the resources available. It was recognised and agreed that to maximise the income potential over this period will require some pump priming funding in the early years. The Commercial Services Manager has identified additional resource requirements of £0.300m to support exploration and delivery of new areas for trading. It is proposed that an amount of £0.300m is set aside in an Earmarked Reserve to be available to Commercial Services Committee to be used to fund additional resources required towards increasing commercial activities.

- (b) **Capital Funding Reserve (£0.350m)** – Members will be aware that the capital programme for 2012-13 to 2014-15 has been constructed on the basis that the debt ratio (debt charges expressed as a percentage of the total revenue budget) is kept within an agreed target of 5%. Whilst this position will help to keep the authority's exposure to external debt to manageable levels, it is doubtful that this position can be sustained if the identified capital investment backlog is to be adequately funded. The Director of Service Support has highlighted the need for the 5% limit to be reviewed during 2012.

A recent issue with a major project has already identified that the agreed capital programme might be short of necessary funding by an amount of £0.350m. It is therefore proposed that an amount of £0.350m from the underspend be set aside in an Earmarked Reserve to provide further direct revenue funding towards capital spending. Subject to Authority approval this will ensure that funds are available to deliver the agreed programme without the need to increase debt levels beyond already agreed limits.

- (c) **CSR 2010 Budget Strategy Reserve (£0.622m)** – it is proposed that the remaining underspend of £0.622m be transferred to the existing reserve of CSR 2010 Budget Strategy Reserve, which, when added to the existing balance of £1.191m would increase the balance on the Reserve to £1.813m to be available to offset future grant reductions.

12. **DELIVERY OF SAVINGS IN 2011-12**

- 12.1 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 3.

TABLE 3 – DELIVERY OF BUDGET SAVINGS 2011-12

	Targeted Savings required by 31/3/12 £000	Actual 31 March 2012 £000
1 Vacancy Management	(425)	(425) *
2 Efficiency savings identified by budget holders	(342)	(342)
3 Dissolution of regional management board	(25)	(25)
4 Restructure of SMB 2010	(50)	(160)
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)	(236)
TOTAL	(1,042)	(1,188)
<i>* This figure is provisional as March vacancy margin figures still to be confirmed</i>		

12.2 These figures illustrate that whilst some targeted areas of savings have not delivered in 2011-12, the overall target has been over-achieved.

13. RESERVES AND PROVISIONS

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

Reserves

13.2 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

13.3 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.

13.4 A summary of balances on Reserves and Provisions as at 31 March 2012 is shown in Table 5. These figures have been prepared on the basis that Members are minded to approve the proposals for transfers to Reserves as contained within this report.

13.5 In addition to the proposals for transfers to Reserves (Table Column 4), it is also recommended that an amount of £0.420m is transferred from Earmarked Reserves to the General Reserve (Table 5 Column 5). This amount relates to amounts originally transferred to Earmarked Reserve but which are no longer required for its original purpose, and is therefore eligible for transfer to the General Reserve. If Members are minded to approve this recommendation then the balance on the General Reserve will increase from £4.453m to £4.873m, equivalent to 6.49% of total revenue budget.

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

TABLE 5 - RESERVES AND PROVISIONS						
	Balance as at 1 April 2011 £000 (1)	Spend £000 (2)	Balance at 31/3/12 £000 (3)	Proposed Transfer of Underspend £000 (4)	Proposed Transfer between Reserves £000 (5)	Balance Cfwd to next year £000 (6)
RESERVES						
Earmarked reserves						
Lundy Island Fire Cover	(25)	12	(13)			(13)
Positive pressure ventilation training	(4)	-	(4)			(4)
Mobilisation equipment	(167)	110	(57)			(57)
Property works	(55)	50	(5)		5	-
Support costs	(7)	-	(7)		7	-
Welfare building works	(37)	22	(15)			(15)
Integrated clothing project	(488)	488	-			-
Change & improvement training	(50)	44	(6)			(6)
Gold command courses	(35)	11	(24)			(24)
Interagency liaison officer costs	(36)	26	(10)			(10)
Grants unapplied in 2010-11	(1,374)	710	(664)		185	(479)
Change & improvement programme	(896)	-	(896)		223	(673)
CSR 2010	(1,191)	-	(1,191)			(1,191)
Year end proposals						
Support to capital programme within 2011-12 base				(716)		(716)
Additional support to capital programme				(350)		(350)
Commercial				(300)		(300)
Integrated clothing project?						-
Grants unapplied in 2011-12				(2,042)		(2,042)
CSR 2010				(622)		(622)
Total earmarked reserves	(4,365)	1,473	(2,892)	(4,030)	420	(6,502)
General reserve						
General fund balance	(4,453)				(420)	(4,873)
Percentage of general reserve compared to net budget						-6.49%
TOTAL USEABLE RESERVES	(8,818)	1,473	(2,892)	(4,030)	-	(11,375)
PROVISIONS						
Part time workers - retained fire fighters	(1,505)	-	(1,505)	(348)		(1,853)
TOTAL PROVISIONS	(1,505)	-	(1,505)	(348)	-	(1,853)

14. SUMMARY OF REVENUE SPENDING

- 14.1 Members will be well aware from the budget monitoring reports considered during the financial year of the strategy adopted to seek in-year savings which can be set aside in Reserve, in response to the CSR 2010 announcement of 25% reductions in Fire Service grants over four years.
- 14.2 It is therefore pleasing that this strategy has contributed to a further amount of £1.272m being available for transfer to Authority Reserves and Balances. The three recommendations included in this report for the utilisation of the underspend are very much targeted at making positive contributions towards budget setting in 2013-14 and 2014-15, when the impact of the 25% reduction in grants will be the most severe.
- 14.3 The Committee is asked to approve these recommendations.

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

Monitoring of Capital Spending in 2011-2012

- 15.1 Table 6 below provides a summary of the draft outturn position against the agreed 2011-2012 capital programme. This reports capital spending to be £3.341m against a total programme of £7.580m, resulting in slippage in spending of £4.239m. It should be noted that the total programme has increased by £0.209m from the previous report, to include:
- a. Inclusion of £0.204m to fund refurbishment works at Service Headquarters primarily relating to the control consolidation project, to be funded from direct revenue funding.
 - b. A further £0.005m to fund a vehicle box trailer to be funded from direct revenue funding.
- 15.2 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 – DRAFT CAPITAL OUTTURN 2011-12

Capital Programme 2011/12			Variation to budget				
Item	PROJECT	2011/12 £000	2011/12 £000	2011/12 £000	Slippage £000	Savings £000	Total variation £000
		Budget	Draft outturn	Variation to budget			
Estate Development							
1	Exeter Middlemoor	30	31	1	(1)		(1)
2	Exeter Danes Castle	10	1	(9)		9	9
3	SHQ major building works	96	4	(92)	92		92
4	Major building works - training facilities at Exeter airport	1,000	111	(889)	889		889
5	Minor improvements & structural maintenance (including slippage)	3,560	1,542	(2,018)	2,018		2,018
6	Welfare facilities	37	22	(15)	15		15
7	New Dimensions (USAR) works	610	515	(95)	95		95
Estates Sub Total		5,343	2,226	(3,117)	3,108	9	3,117
Fleet & Equipment							
8	Appliance replacement	397	738	341	(341)		(341)
9	Specialist Operational Vehicles	1,315	63	(1,252)	1,252		1,252
10	Vehicles (funded from revenue)	89	89	0	0		0
11	Equipment	127	45	(82)	82		82
12	Asset Management Plan (Miquest) software	129	0	(129)		129	129
13	Systems integration	180	180	0	0		0
Fleet & Equipment Sub Total		2,237	1,115	(1,122)	993	129	1,122
Overall Capital Totals		7,580	3,341	(4,239)	4,101	138	4,239
Programme funding							
	Main programme	3,508		(3,508)	3,370	138	3,508
	Revenue funds	1,436	720	(716)	716		716
	Earmarked reserves	91	76	(15)	15		15
	Grants	2,545	2,545	-	0		0
		7,580	3,341	(4,239)	4,101	138	4,239

Slippage in 2011-12 Programme

- 15.3 Members will be aware that the Service has a three year rolling programme for capital projects, reviewed annually. This is to accommodate occasional slippage that can take place due to time taken to secure the necessary procurement, contracts and contractors. However, this year we have seen an accumulated increase, some of which is a result of staffing issues and some related to projects.
- 15.4 Whilst combination provided many benefits the Estates department inherited additional building stock with no increase in budget or staffing. This position has been exacerbated throughout the 2010/11 financial year which resulted in a larger than anticipated level of slippage (£1.7m) into 2011/12. Whilst the majority of these projects have now been completed it has inevitably taken staff away from the 2011/12 program. As a consequence a review of the department has recently been completed, which will go some way to resolving these issues in the medium term.
- 15.5 The main project that has contributed to the level of slippage being reported is as a result of protracted legal issues associated with the build of the new Training Academy at Exeter Airport, which has significantly delayed the project. It is anticipated that signing of the lease with Exeter Airport and appointment of the contractor will now take place at the end of this May.

15.6 Finally, work on the Control Consolidation project has diverted limited staff resource away from other programmed projects, which has created an accumulated slippage.

Prudential Indicators (including Treasury Management)

15.7 Table 6 also illustrates how spending of £3.341m is to be financed. As a consequence of slippage against the current year capital programme there has been no requirement to take out any new external borrowing during the year which means that there has been no breach of any of the Authority Prudential Indicators. Actual external borrowing as at 31 March 2012 is £27.066m which is well below the Authorised Limit for external debt of £36.229m (the absolute maximum the Authority has agreed as affordable).

15.8 Income from the investment of working balances into short-term deposits reached £0.213m, 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. Investment returns have yielded an average return of 0.77%, which under performs the LIBID 3 Month return (industry benchmark) of 0.94% for the quarter.

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

16. SECTION C - OTHER FINANCIAL PERFORMANCE INDICATORS

Aged Debt Analysis

16.1 Total debtor invoices outstanding as at 31 March 2012 is £214,545, a reduction from the previous quarter figure of £298,939.

16.2 Of this figure an amount of £6,482 (£44,745 as at 31 December 2011) was due from debtors relating to invoices that are more than 85 days old, equating to 3.02% (14.97% as at 31 December 2011) of the total debt outstanding. Table 7 below provides a summary of all debt outstanding as at 31 March 2012.

TABLE 7- OUTSTANDING DEBT AS AT 31 MARCH 2012

	Total Value £	%
Current (allowed 28 days in which to pay invoice)	159,288	74.25%
1 to 28 days overdue	35,560	16.57%
29-56 days overdue	13,215	6.16%
57-84 days overdue	-	-
Over 85 days overdue	6,482	3.02%
Total Debt Outstanding as at 31 March 2012	214,545	100.00%

16.3 As the Committee will be aware from previous reports on this issue, more stringent procedures have been applied this year to the collection of long term debt resulting in an improvement to the Aged Debt Ratio, and an end of year position of within the 5% target.

Payment of Supplier Invoices within 30 days

- 16.4 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 March 2012 our performance stood at 97.9%, the same position as the previous quarter.

KEVIN WOODWARD
Treasurer to the Authority

PRUDENTIAL INDICATORS 2011-2012

Prudential Indicators and Treasury Management Indicators	Actual £m	Target £m	Variance (favourable) /adverse
Capital Expenditure	3.341	7.580	(£4.239m)
Capital Financing Requirement (CFR) - Total	27.755	33.039	(£5.284m)
- Borrowing	26.142	31.154	
- Other long term liabilities	1.613	1.885	
Authorised limit for external debt - Total	28.679	38.159	(£9.480m)
- Borrowing	27.066	36.229	
- Other long term liabilities	1.613	1.930	
Debt Ratio (debt charges as a %age of total revenue budget)	4.11%	4.35%	(0.24)bp
Cost of Borrowing – Total	1.195	1.271	(£0.076m)
- Interest on existing debt as at 31-3-11	1.195	1.195	
- Interest on proposed new debt in 2011-12	0	0.076	
Investment Income – full year	0.193	0.100	(£0.093m)
	Actual (31 March 2012) %	Target for quarter %	Variance (favourable) /adverse
Investment Return	0.77%	0.94%	0.17 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%)