



# DEVON & SOMERSET FIRE & RESCUE AUTHORITY

<b>REPORT REFERENCE NO.</b>	RC/12/6
<b>MEETING</b>	RESOURCES COMMITTEE
<b>DATE OF MEETING</b>	20 JULY 2012
<b>SUBJECT OF REPORT</b>	FINANCIAL PERFORMANCE REPORT 2012/13 – QUARTER 1
<b>LEAD OFFICER</b>	Treasurer to the Authority
<b>RECOMMENDATIONS</b>	<p>(a) <i>That the Authority be recommended to approve the revised capital programme for 2012/13 to 2014/15, identified in this report and summarised in Appendix A;</i></p> <p>(b) <i>That, subject to (a) above, the monitoring position in relation to projected spending against the 2012-2013 revenue and capital budgets as indicated in this report be noted;</i></p> <p>(c) <i>That the performance against the 2012-2013 financial targets as indicated in this report be noted.</i></p>
<b>EXECUTIVE SUMMARY</b>	<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 2012-2013 revenue budget with explanations for the major variations. At this early stage in the financial year it is forecast that spending will be £37k less than budget, equivalent to just 0.05% of the total budget.</p>
<b>RESOURCE IMPLICATIONS</b>	As indicated in the report.
<b>EQUALITY RISK AND BENEFIT ASSESSMENT</b>	An initial assessment has not identified any equality issues emanating from this report.
<b>APPENDICES</b>	<p>A. Revised Capital Programme 2012-13 to 2014-15</p> <p>B. Summary of Prudential Indicators 2012-2013.</p>
<b>LIST OF BACKGROUND PAPERS</b>	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 2012. As well as providing projections of spending against the 2012-2013 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 2012-2013**

	Key Target	Target	Forecast Outturn		Forecast Variance	
			Quarter 1	Previous Quarter	Quarter 1 %	Previous Quarter %
1	Spending within agreed revenue budget	£77.578m	£77.541m	N/A	(0.05)%	N/A
2	Spending within agreed capital budget	£9.859m	£8.746m	N/A	(11.29)%	N/A
3	External Borrowing within Prudential Indicator limit	£27.965m	£27.167m	N/A	(2.85)%	N/A
4	On-going Budget Savings since 2010-11	£2.642m	£2.642m	N/A	0.00%	N/A
5	Debt Ratio (debt charges over total revenue budget)	3.98%	3.98%	N/A	0.00bp	N/A
6	General Reserve Balance as %age of total budget (minimum)	5.00%	6.28%	N/A	(1.28)bp	N/A
			<b>Actual as at 30 June 2012</b>	<b>Previous Quarter</b>	<b>Variance at 30 June 2012 %</b>	<b>Previous Quarter %</b>
7	Aged Debt (debtors more than 85 days old)	5.00%	5.29%	N/A	0.29bp	N/A

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

- **SECTION A** – Revenue Budget 2012/2013.
- **SECTION B** – Capital Budget and Prudential Indicators 2012/2013.
- **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 2012-2013

2.1 Table 2 below 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 by the year end will be £77.541m compared with an agreed budget figure of £77.578m, representing a small underspend of £37k, equivalent to 0.05% of the total budget.

**TABLE 2 – REVENUE MONITORING STATEMENT 2012-2013**

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY						
Revenue Budget Monitoring Report 2012/13						
Line No		2012/13 Budget £000 (1)	Year To Date Budget £000 (2)	Spending to Month 3 £000 (3)	Projected Outturn £000 (4)	Projected Variance over/ (under) £000 (5)
	<b>SPENDING</b>					
	<b>EMPLOYEE COSTS</b>					
1	Wholetime uniform staff	31,797	7,836	7,918	32,212	415
2	Retained firefighters	12,298	1,819	1,354	11,971	(327)
3	Control room staff	1,556	248	280	1,526	(30)
4	Non uniformed staff	10,188	1,697	1,631	10,173	(15)
5	Training expenses	1,353	225	343	1,353	-
6	Fire Service Pensions recharge	2,103	525	1,936	2,103	-
		<b>59,295</b>	<b>12,350</b>	<b>13,462</b>	<b>59,338</b>	<b>43</b>
	<b>PREMISES RELATED COSTS</b>					
7	Repair and maintenance	1,590	263	254	1,588	(2)
8	Energy costs	601	72	42	575	(26)
9	Cleaning costs	451	47	34	450	(1)
10	Rent and rates	1,471	267	412	1,499	28
		<b>4,113</b>	<b>649</b>	<b>742</b>	<b>4,112</b>	<b>(1)</b>
	<b>TRANSPORT RELATED COSTS</b>					
11	Repair and maintenance	619	103	97	619	-
12	Running costs and insurances	1,271	211	337	1,270	(1)
13	Travel and subsistence	1,810	282	196	1,795	(15)
		<b>3,700</b>	<b>596</b>	<b>630</b>	<b>3,684</b>	<b>(16)</b>
	<b>SUPPLIES AND SERVICES</b>					
14	Equipment and furniture	2,452	411	585	2,439	(13)
15	Hydrants-installation and maintenance	108	18	15	108	-
16	Communications	1,868	311	117	1,897	29
17	Uniforms	1,268	211	220	1,265	(3)
18	Catering	185	31	18	177	(8)
19	External Fees and Services	275	46	80	282	7
20	Partnerships & regional collaborative projects	137	23	2	137	-
		<b>6,293</b>	<b>1,051</b>	<b>1,037</b>	<b>6,305</b>	<b>12</b>
	<b>ESTABLISHMENT COSTS</b>					
21	Printing, stationery and office expenses	433	85	80	404	(29)
22	Advertising	57	9	8	57	-
23	Insurances	403	99	93	403	-
		<b>893</b>	<b>193</b>	<b>181</b>	<b>864</b>	<b>(29)</b>
	<b>PAYMENTS TO OTHER AUTHORITIES</b>					
24	Support service contracts	593	59	(17)	587	(6)
		<b>593</b>	<b>59</b>	<b>(17)</b>	<b>587</b>	<b>(6)</b>
	<b>CAPITAL FINANCING COSTS</b>					
25	Capital charges	4,753	243	36	4,708	(45)
26	Revenue Contribution to Capital spending	2,600	0	0	2,645	45
		<b>7,353</b>	<b>243</b>	<b>36</b>	<b>7,353</b>	<b>0</b>
27	<b>TOTAL SPENDING</b>	<b>82,240</b>	<b>15,141</b>	<b>16,071</b>	<b>82,243</b>	<b>3</b>
	<b>INCOME</b>					
28	Treasury management investment income	(100)	(17)	26	(100)	-
29	Grants and Reimbursements	(2,804)	(287)	(319)	(2,844)	(40)
30	Other income	(1,615)	(269)	(173)	(1,615)	-
31	Internal Recharges	(143)	(24)	(5)	(143)	-
32	<b>TOTAL INCOME</b>	<b>(4,662)</b>	<b>(597)</b>	<b>(471)</b>	<b>(4,702)</b>	<b>(40)</b>
33	<b>NET SPENDING</b>	<b>77,578</b>	<b>14,544</b>	<b>15,600</b>	<b>77,541</b>	<b>(37)</b>

2.2 These forecasts are based upon the spending position at the end of June 2012, 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 (over £50k variance) are explained below in paragraphs 3.

2.3 It is anticipated that future budget monitoring reports during 2012-13 will be reporting a much higher underspend given that the Chief Fire Officer has tasked each budget manager across the organisation with considering the impact of a 5% reduction in their budgets, with a view to contributing towards the overall strategy to deliver significant savings by 2014-15, in response to the 25% reduction in Fire grants announced in the governments Comprehensive Spending Review 2010 (CSR 2010). Savings from this exercise achieved in the current financial year can be set aside in Authority Reserve balances.

### 3. **EMPLOYEE COSTS**

#### ***Wholetime Staff***

3.1 At this stage it is projected that spending on wholetime pay costs will be £0.415m more than the budget figure equivalent to 1.30% of the total wholetime pay budget. This projection makes assumptions as to the timing of potential retirees during the course of the financial year, and also assumes that there will be no pay award in 2012.

#### ***Retained Pay Costs***

3.2 At this early stage in the financial year spending is forecast to be £0.327m below the agreed budget figure. 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

### 4. **BUDGET SAVINGS**

4.1 Members will recall that in setting the 2012-13 revenue budget additional on-going savings of £1.6m were identified as part of our savings strategy to manage the 25% reductions in government grants over the four year period 2011-12 to 2014-15, as announced in the Comprehensive Spending Review 2010 (CSR 2010). This £1.6m of savings are in addition to £1.042m of on-going savings identified the previous year, therefore increasing the total on-going savings identified over and above the 2010-11 base budget to £2.642m. Table 3 overleaf provides a summary of how these savings have been achieved.

**TABLE 3 – SUMMARY OF ON-GOING SAVINGS DELIVERED 2011-12 AND 2012-13**

	<b>£m</b>
Vacancy Management	(0.575)
Adoption of Zero Base Budgeting and efficiency savings identified from Budget Holders	(0.647)
Additional Revenue from Commercial Activities	(0.495)
Amalgamation of control rooms	(0.503)
Senior Management Board restructure	(0.154)
Changes to mobilisation arrangements to co-responder calls	(0.075)
Change in policy to Automatic Fire Alarm (AFA) calls	(0.109)
Change in payroll provider	(0.059)
Dissolution of Regional Management Board	(0.025)
<b>TOTAL SAVINGS 2011-12 AND 2012-13</b>	<b>(2.642)</b>

4.2 At this stage of the financial year we are on track to deliver this savings target for 2012-13, however as Members will be well aware, further budget savings will be required over the next two years of CSR 2010 when the scale of grant reductions will be more severe.

4.3 With this in mind, and as part of our overall strategy for meeting the grant reductions, all budget managers across the organisation will be tasked with considering the impact to their budgets of reductions of 5% in the current financial year. It is anticipated therefore that actual savings achieved by the end of 2012-13 will exceed the £2.642m target set. Any reductions will need to risk assessed against the impact of reducing spend in those identified areas.

## **5. RESERVES AND PROVISIONS**

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

### ***Reserves***

5.2 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***

5.3 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.

5.4 A summary of predicted balances on Reserves and Provisions is shown in Table 4 below. These figures exclude any potential in-year transfers to/from the revenue budget in the current financial year.

**TABLE 4 – FORECAST RESERVES AND PROVISION BALANCES 31 MARCH 2013**

	Balance as at 1 April 2012 £000	Spending to Quarter 1 2012 £000	Projected Outturn £000	Projected Balance as at 31 March 2013 £000
<b>RESERVES</b>				
<b>Earmarked reserves</b>				
Lundy Island Fire Cover	12	-	12	0
Positive pressure ventilation training	4	-	4	0
Mobilisation equipment	57	-	57	0
Welfare building works	15	-	15	0
Change & improvement training	6	-	6	0
Gold command courses	24	-	24	0
Interagency liaison officer costs	10	-	10	0
Grants unapplied in 2010-11	2,521	-	1,800	721
Change & improvement programme	673	-	673	0
Commercial Services	300	-	300	0
Direct Funding to Capital	1,044	-	284	760
CSR 2010	1,817	-	-	1,817
<b>Total earmarked reserves</b>	<b>6,483</b>	<b>0</b>	<b>3,185</b>	<b>3,298</b>
<b>General reserve</b>				
General fund balance	<b>4,873</b>			<b>4,873</b>
Percentage of general reserve compared to net budget				6.28%
<b>TOTAL RESERVE BALANCES</b>	<b>11,356</b>			<b>8,171</b>
<b>PROVISIONS</b>				
Part time workers - retained fire fighters	1,853	-	990	863
<b>TOTAL PROVISIONS</b>	<b>1,853</b>	<b>-</b>	<b>990</b>	<b>863</b>

## 6. **SUMMARY OF REVENUE SPENDING**

6.1 At this early stage of the financial year it is forecast that spending will be within the agreed budget figure for 2012-13. As part of our savings strategy, budget managers across the organisation will be tasked with considering the impact of 5% reductions in their budgets, with a view to delivering further savings in the current year available to be set aside in the Authority Reserve balances.

6.2 The outcome of this exercise, in terms of the amount of savings that are identified will be reported to the next meeting of Resources Committee to be held in October 2012.

## 7. **SECTION B – CAPITAL PROGRAMME 2012-2013 AND PRUDENTIAL INDICATORS**

### ***Monitoring of Capital Spending in 2012-2013***

7.1 Table 5 below provides a summary of forecast spending against the agreed 2012-2013 capital programme. Latest projection is for capital spending to be £8.746m against a total programme of £9.859m. It should be noted that the total programme has increased by £1.262m from the original programme agreed at the budget meeting in February 2012, to include:

- a. Inclusion of £0.912m relating to additional slippage against the 2011-12 capital programme, as reported to the Fire and Rescue Authority meeting on the 30 May 2012 as part of the final 2011-12 financial outturn report.

- b. A further £0.350m to fund additional costs associated with the Exeter Airport capital project, to be funded from earmarked reserves, as agreed at the Fire Authority meeting in May 2012.

7.2 It should be emphasised that none of these additions require any increase in the external borrowing requirement. A revised capital programme 2012-13 to 2014-15 incorporating these additions is included as Appendix A to this report, which under Financial Regulations is required to be approved by the Fire and Rescue Authority.

**TABLE 5 – CAPITAL MONITORING 2012-13**

Capital Programme 2012/13				
Item	PROJECT	2012/13 £000 Budget	2012/13 £000 Predicted outturn	2012/13 £000 Variation to budget
<b>Estate Development</b>				
1	SHQ major building works	92	92	-
2	Major Projects - Training Facility at Exeter Airport	3,239	2,579	(660)
3	Minor improvements & structural maintenance	1,650	1,400	(250)
4	Welfare Facilities	15	15	-
5	USAR works	95	94	(1)
6	Minor Works slippage from 2010-11	343	343	-
7	Minor Works 2011-12	1,674	1,474	(200)
<b>Estates Sub Total</b>		<b>7,108</b>	<b>5,997</b>	<b>(1,111)</b>
<b>Fleet &amp; Equipment</b>				
8	Appliance replacement	700	700	-
9	Specialist Operational Vehicles	920	920	-
10	Vehicles funded from revenue	0		-
11	Equipment	242	240	(2)
12	Appliance and Specialist Operational Vehicles slippage	889	889	-
<b>Fleet &amp; Equipment Sub Total</b>		<b>2,751</b>	<b>2,749</b>	<b>(2)</b>
<b>Overall Capital Totals</b>		<b>9,859</b>	<b>8,746</b>	<b>(1,113)</b>
<b>Programme funding</b>				
	Main programme	4,194	3,741	(453)
	Revenue funds	3,644	2,984	(660)
	Grants	2,021	2,021	-
		<b>9,859</b>	<b>8,746</b>	<b>(1,113)</b>

7.3 At this stage in the financial year capital spending in 2012-13 is projected to be £1.113m less than the agreed programme. Whilst a good start has been made on the Estates projects, it is anticipated that there will be some slippage against some projects which will require unused funding to be carried forward into 2013-14. In particular, in relation to the Training Academy Exeter Airport project, whilst the contract has been placed with the contractor and a start has been made on site during the course of this month, the contract period is set at 45 weeks but the current and forecast weather conditions over the next month or two do give some cause for concern in terms of delays to progress on site. Current cashflow projections indicate that there will be circa £660k of the project cost carried through to 2013-14. Projects at Ilminster and Axminster, which are partnership projects with the Police are also likely to slip due to delays in agreeing legal documentation and associated land acquisitions.

### ***Prudential Indicators (including Treasury Management)***

- 7.4 Table 5 also illustrates how the forecast spending of £8.746m is to be financed, which includes additional borrowing of £3.741m to finance capital spending. As is reported in the separate Treasury Management Performance Report elsewhere on the agenda, during the first quarter of 2012-13 additional borrowing of £2m has been taken out as a consequence of historically low rates in June 2012. This additional borrowing has increased total borrowing as at 30 June 2012 to £29.066m, forecast to reduce to £27.167m by 31 March 2013, which is well within the Authorised Limit for external debt of £34.159m (the absolute maximum the Authority has agreed as affordable).
- 7.5 At this stage of the year income from the investment of working balances into short-term deposits is anticipated to reach the target figure of £0.100m by 31 March 2013. Investment returns have yielded an average return of 0.90%, which outperforms the LIBID 3 Month return (industry benchmark) of 0.87% for the quarter.
- 7.6 Appendix B provides a summary of performance against all of the agreed Prudential Indicators for 2012-2013, which illustrates that at this time there is no anticipated breach of any of these indicators.

## **SECTION C - OTHER FINANCIAL PERFORMANCE INDICATORS**

### ***Aged Debt Analysis***

- 8.1 Total debtor invoices outstanding as at 30 June 2012 is £175,997, a decrease on the previous quarter figure of £215,545.
- 8.2 Of this figure an amount of £9,306 (£6,482 as at 31 March 2012) was due from debtors relating to invoices that are more than 85 days old, equating to 5.29% (3.02% as at 31 March 2012) of the total debt outstanding. Table 6 overleaf provides a summary of all debt outstanding as at 30 June 2012.

**TABLE 6 – OUTSTANDING DEBT AS AT 30 JUNE 2012**

	<b>Total Value £</b>	<b>%</b>
Current (allowed 28 days in which to pay invoice)	43,086	24.48%
1 to 28 days overdue	93,258	52.99%
29-56 days overdue	21,332	12.12%
57-84 days overdue	9,015	5.12%
Over 85 days overdue	9,306	5.29%
<b>Total Debt Outstanding as at 30 June 2012</b>	<b>175,997</b>	<b>100.00%</b>

- 8.3 As the Committee will be aware from previous reports on this issue, more stringent procedures were introduced during 2011-12 to the collection of long term debt resulting in a significant improvement to the Aged Debt Ratio. However during the last quarter the 5% target has been breached (5.29%) as a result of one debtor (Ocean Training) defaulting on payment of £2,068 in relation to attendance at a training course. This matter is now in the hands of our solicitor to recover full payment and this company will now only be accepted for future business on the basis of cash up front.



***Payment of Supplier Invoices within 30 days***

- 8.4 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 96.77% however it is anticipated that it will be possible to achieve the target by the end of the financial year.

**KEVIN WOODWARD**  
**Treasurer to the Authority**

APPENDIX A TO REPORT RC/12/6

**REVISED CAPITAL PROGRAMME 2012-2013 TO 2014-15**

Revised Capital Programme (2012/13 to 2014/15)						
2011/2012 Budget (£000)	2011/2012 outturn (£000)	Item	PROJECT	2012/13 (£000)	2013/14 (£000)	2014/15 (£000)
			<b>Estate Development</b>			
30	31		1 Exeter Middlemoor			
10	1		2 Exeter Danes Castle			
96	4		3 SHQ major building works Control project	92		
1,000	111		4 Major Projects - Training Facility at Exeter Airport	3,239		
			5 Minor improvements & structural maintenance	1,650	1,750	1,750
37	22		6 Welfare Facilities	15		
			7 Diversity & equality			
610	515		8 USAR works	95		
1,689	1,542		9 Minor Works slippage from 2010-11	343		
1,871			10 Minor Works 2011-12	1,674		
<b>5,343</b>	<b>2,226</b>		<b>Estates Sub Total</b>	<b>7,108</b>	<b>1,750</b>	<b>1,750</b>
			<b>Fleet &amp; Equipment</b>			
397	749		11 Appliance replacement	700	1,900	1,900
1,315	74		12 Specialist Operational Vehicles	920	600	0
89	89		13 Vehicles funded from revenue			
127	45		14 Equipment	242	200	200
129	0		15 Asset Management Plan (Miquest) software			
180	180		16 Systems integration			
			17 BA Replacement		1,400	
			18 Specialist Operational Vehicles Slippage 2011-12	889		
<b>2,237</b>	<b>1,137</b>		<b>Fleet &amp; Equipment Sub Total</b>	<b>2,751</b>	<b>4,100</b>	<b>2,100</b>
<b>7,580</b>	<b>3,363</b>		<b>SPENDING TOTALS</b>	<b>9,859</b>	<b>5,850</b>	<b>3,850</b>
			<b>Programme funding</b>			
3,508			Main programme	4,194	5,350	3,350
1,527	818		Revenue funds	3,644		
2,545	2,545		Grants	2,021	500	500
<b>7,580</b>	<b>3,363</b>		<b>FUNDING TOTALS</b>	<b>9,859</b>	<b>5,850</b>	<b>3,850</b>

**PRUDENTIAL INDICATORS 2012-2013**

Prudential Indicators and Treasury Management Indicators	Forecast £m	Target £m	Variance (favourable) /adverse
Capital Expenditure	8.746	9.859	(£1.113m)
Capital Financing Requirement (CFR) - Total	29.523	29.961	(£0.438m)
- Borrowing	27.965	28.403	
- Other long term liabilities	1.558	1.558	
Authorised limit for external debt - Total	28.725	35.746	(£7.021m)
- Borrowing	27.167	34.159	
- Other long term liabilities	1.558	1.587	
Debt Ratio (debt charges as a %age of total revenue budget)	3.98%	3.98%	(0.00)bp
Cost of Borrowing – Total	1.197	1.246	(£0.049m)
- Interest on existing debt as at 31-3-12	1.147	1.147	
- Interest on proposed new debt in 2012-13	0050	0.099	
Investment Income – full year	0.100	0.100	(£0.000m)
	Actual (30 June 2012) %	Target for quarter %	Variance (favourable) /adverse
Investment Return	0.90%	0.87%	(0.03) bp

Prudential Indicators and Treasury Management Indicators	Forecast (31 March 2013) %	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	3.51%	30.00%	0.00%	(26.49%)
12 months to 2 years	0.99%	30.00%	0.00%	(29.01%)
2 years to 5 years	1.15%	50.00%	0.00%	(48.85%)
5 years to 10 years	5.03%	75.00%	0.00%	(69.97%)
10 years and above	89.31%	100.00%	50.00%	(10.69%)