DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**RC/13/6**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**16 MAY 2013**
SUBJECT OF REPORT	**FINANCIAL PERFORMANCE REPORT 2012-2013 – QUARTER 4**
LEAD OFFICER	**Treasurer to the Authority**
RECOMMENDATIONS	***(a) That the Authority, at its meeting on the 30 May 2013, be recommended to approve:*** ***(i) That the provisional underspend of £1.681m against the 2012-13 revenue budget be utilised to fund the following transfers to Earmarked Reserves, as outlined in paragraph 10.1 of this report:*** ***A. That an amount of £0.103m be transferred to an Earmarked Reserve to be utilised to fund Essential Spending Pressures not included in the 2013-14 base budget;*** ***B. That the remaining figure of £1.578m be transferred to the Comprehensive Spending Review (CSR) 2010 Budget Strategy Reserve;*** ***(ii) That an amount of £0.314m within Earmarked Reserves be transferred to General Reserves as outlined in paragraph 11.5 of this report.*** ***(b) That, subject to (a) above, the following be noted:*** ***A. The draft position in respect of the 2012-13 Revenue and Capital Outturn position, as indicated in this report.*** ***B. That the underspend figure of £1.681m is after;*** ***I. A transfer of £0.139m to the Grants Unapplied Reserve, as required under International Financial Reporting Standards (IFRS) relating to grants received during the financial year but not utilised.*** ***II. A transfer of £2.832m to the Capital Funding Earmarked Reserve, relating to agreed revenue funding towards capital spending not utilised.***

	III. A transfer of £0.150m to an Earmarked Reserve to fund 2012-13 Budget Carry Forwards. ***IV. An increase of £0.798m 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 3.7 of this report.*** ***(c) That the performance against agreed financial targets be noted.***
EXECUTIVE SUMMARY	The Committee has received quarterly reports during 2012-13 in relation to the Authority's performance against the agreed financial targets. This latest report provides a further update based upon the position at the end of Quarter 4 i.e. as at 31 March 2013. In particular, the report provides a draft financial outturn position against the 2012-2013 revenue budget, which indicates that spending is £1.681m less than budget, equivalent to 2.00% of the total budget. This underspend position is largely attributable to the instruction given by the Chief Fire Officer and Senior Management Board to all budget holders across the organisation to trim costs wherever possible with a view to reducing their areas of budget responsibility secure £1m of savings by the end of the financial year. Delivery of in-year savings form an important part of our overall strategy to build reserve balances at this time to provide additional financial contingency during the next four year period when the more severe budget reductions are anticipated. 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 30 May 2013.
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY RISKS AND BENEFITS ASSESSMENT (ERBA)	Not applicable
APPENDICES	A. Summary of Prudential Indicators 2012-2013.
LIST OF BACKGROUND PAPERS	Financial Performance Report 2012-2013 – Quarter 3 (RC/13/1) to Resources Committee 4 February 2013.

1. INTRODUCTION

1.1 This report provides the final (quarter 4) financial monitoring report in relation to the financial year 2012-13, based upon the spending position as at 31 March 2013. As well as providing a draft outturn position against the 2012-2013 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 2012-2013

	Key Target	Target	Forecast Outturn		Forecast Variance	
			Quarter 4	Previous Quarter	Quarter 4 %	Previous Quarter %
1	Spending within agreed revenue budget	£78.677m	£76.996m	£77.113m	(2.14)%	(1.98)%
2	Spending within agreed capital budget	£10.647m	£4.662m	£5.884m	(56.21)%	(44.66)%
3(a)	External Borrowing within Capital Financing Requirement (CFR).	£26.307m	£27.167m	£27.167m	3.27%	9.40%
3(b)	External Borrowing within Authorised Borrowing Limit (Maximum Agreed Borrowing)	£34.159m	£27.167m	£27.167m	(20.46)%	(20.46)%
4	On-going Budget Savings since 2010-11	£2.642m	£3.328m	£3.328m	(25.96)%	(25.96)%
5	Debt Ratio (debt charges over total revenue budget)	3.98%	3.66%	3.71%	(0.32)bp	(0.27)bp
6	General Reserve Balance as %age of total budget (minimum)	5.00%	6.99%	6.19%	(1.99)bp	(1.19)bp

*bp = base points

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 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 £76.996m compared with an agreed budget figure of £78.677m, representing an underspend of £1.681m, equivalent to 2.14% of the total budget (compared with a forecast underspend of £1.564m as at Quarter 3).

2.2 This underspend position is largely attributable to the instruction given by the Chief Fire Officer and Senior Management Board to all budget holders across the organisation to trim costs wherever possible with a view to reducing their areas of budget responsibility secure £1m of savings by the end of the financial year. Delivery of in-year savings form an important part of our overall strategy to build reserve balances at this time to provide additional financial contingency during the next four year period when the more severe budget reductions are anticipated. Explanations of the other significant variations from budget are explained in paragraphs 3 to 8 of the report.

TABLE 2 – REVENUE OUTTURN 2011-12

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY
Provisional Revenue Outturn Statement 2012-2013

Line No		2012/13 Budget £000 (1)	Year To Date Budget £000 (2)	Spending to Month 12 £000 (3)	Projected Outturn £000 (4)	Projected Variance over/ (under) £000 (5)
	SPENDING					
	EMPLOYEE COSTS					
1	Wholetime uniform staff	31,833	31,833	32,190	32,190	357
2	Retained firefighters	12,096	12,096	10,908	11,706	(390)
3	Control room staff	1,567	1,567	1,627	1,627	60
4	Non uniformed staff	10,561	10,561	10,102	10,102	(459)
5	Training expenses	1,321	1,321	1,012	1,012	(309)
6	Fire Service Pensions recharge	2,103	2,103	2,498	2,498	395
		59,481	**59,481**	**58,337**	**59,135**	**(346)**
	PREMISES RELATED COSTS					
7	Repair and maintenance	1,131	1,131	1,063	1,068	(63)
8	Energy costs	581	581	596	596	15
9	Cleaning costs	448	448	373	373	(75)
10	Rent and rates	1,471	1,471	1,526	1,526	55
		3,631	**3,631**	**3,558**	**3,563**	**(68)**
	TRANSPORT RELATED COSTS					
11	Repair and maintenance	602	602	549	549	(53)
12	Running costs and insurances	1,271	1,271	1,226	1,226	(45)
13	Travel and subsistence	1,679	1,679	1,462	1,462	(217)
		3,552	**3,552**	**3,237**	**3,237**	**(315)**
	SUPPLIES AND SERVICES					
14	Equipment and furniture	2,399	2,399	2,392	2,392	(7)
15	Supplies Internal Recharges	0	0	33	33	33
16	Hydrants-installation and maintenance	113	113	137	137	24
17	Communications	1,868	1,868	1,661	1,661	(207)
18	Uniforms	1,231	1,231	902	902	(329)
19	Catering	174	174	206	206	32
20	External Fees and Services	380	380	427	427	47
21	Partnerships & regional collaborative projects	125	125	117	117	(8)
		6,290	**6,290**	**5,875**	**5,875**	**(415)**
	ESTABLISHMENT COSTS					
22	Printing, stationery and office expenses	457	457	409	409	(48)
23	Advertising	49	49	35	35	(14)
24	Insurances	388	388	137	137	(251)
		894	**894**	**581**	**581**	**(313)**
	PAYMENTS TO OTHER AUTHORITIES					
25	Support service contracts	572	572	505	505	(67)
		572	**572**	**505**	**505**	**(67)**
	CAPITAL FINANCING COSTS					
26	Capital charges	4,653	4,653	4,454	4,454	(199)
27	Revenue Contribution to Capital spending	3,247	3,247	0	415	(2,832)
		7,900	**7,900**	**4,454**	**4,869**	**(3,031)**
28	**TOTAL SPENDING**	**82,320**	**82,320**	**76,547**	**77,765**	**(4,555)**
	INCOME					
29	Treasury management investment income	(100)	(100)	(231)	(231)	(131)
30	Grants and Reimbursements	(1,778)	(1,778)	(2,107)	(2,107)	(329)
31	Other income	(1,622)	(1,622)	(1,418)	(1,398)	224
32	Internal Recharges	(143)	(143)	(154)	(154)	(11)
33	**TOTAL INCOME**	**(3,643)**	**(3,643)**	**(3,910)**	**(3,890)**	**(247)**
34	**NET SPENDING**	**78,677**	**78,677**	**72,637**	**73,875**	**(4,802)**
	TRANSFERS TO EARMARKED RESERVES					
35	Grants Unapplied	-	-	-	139	139
36	2012-13 Budget Carry Forwards	-	-	-	150	150
37	Capital Funding	-	-	-	2,832	2,832
38	**TOTAL TRANSFERS TO EARMARKED RESERVES**	**-**	**-**	**-**	**3,121**	**3,121**
39	**NET SPENDING**	**78,677**	**78,677**	**72,637**	**76,996**	**(1,681)**

3. EMPLOYEE COSTS

Wholetime Staff

3.1 Spending against the wholetime staff pay budget is £0.357m more than budget, equivalent to 1.08% of the total wholetime pay budget, primarily as a result of additional overtime payments required to cover vacant firefighter posts.

Retained Pay Costs

3.2 Spending against the retained pay budget is £0.390m under budget, primarily as a result of less retained calls than had been budgeted for. As has been highlighted in each previous monitoring report 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 It should be noted that this figure of £0.390m is net of an additional Provision of £0.798m to fund future liabilities 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.

3.4 At this time it is not possible to give a precise figure as to the ultimate financial impact to the Authority as details of the settlement associated with access to pension rights have not yet been released. We are expecting further information to be released in the next few months following negotiations between the Fire Brigades Union and the Department of Communities and Local Government (CLG). However given that Devon and Somerset FRA is the largest employer of retained firefighters in the UK, we are expecting the impact of this ruling to be significant, particularly as the ruling includes backdated payments to the year 2000.

3.5 The Authority had already set aside funds of £1.853m into a financial Provision as at 1 April 2012 to meet payments when they arise. During 2012-13 payments to retained firefighters totalling £1.027m have been made, relating to the non-pension aspects of the settlement, leaving a remaining balance as at 31 March 2013 of £0.826m.

3.6 It is an accounting requirement that this Provision is reviewed at the year-end to ensure that, as far as possible, sufficient sums are made available to pay outstanding liabilities. Given that we are now a further year on it is necessary to increase the Provision again to cover a further twelve months liability. Based on the most recent information available it is now forecast that the liability still to come is £1.624m. This forecast makes an assumption relating to the number of retained firefighters, both existing and retired, that take up the option to access the new pension rights offered to them from the ruling of the Tribunal. There is, of course, a risk that more firefighters take up the option resulting in the cost exceeding the amount set aside in the Provision. Should this be the case then the Authority will need to fund any excess from Reserve balances.

3.7 Given that the revised estimated liability of £1.624m exceeds the existing Provision balance of £0.826m, it is required to charge an additional £0.798m to the 2012-2013 revenue account to increase the Provision to the required level.

Non-Uniformed staff Costs

3.8 The main reason for an underspend of £0.459m against non-uniformed pay costs is as a result of the strategy adopted to hold posts vacant during the year wherever possible.

Training costs

3.9 The underspend against training costs to due to a number of factors including a reduction in the costs of role development training because we do not have the forecast number of people in expensive development programme, a rationalisation of courses to increase efficiency and a redesign of the ADC toolkits which has presented significant financial efficiency. The delivery of these efficiencies has not impacted upon core competence as all risk critical courses have been delivered as required.

Pension Costs

3.10 As a result of the identification of eleven cases of ill-health pensions payments in relation to previous years being incorrectly charged against the Firefighter Pension Fund (funded by CLG top-up grant) rather than the Service revenue budget, a correcting adjustment has been necessary in the current year resulting in a net overspend of £0.395m.

4. TRANSPORT RELATED COSTS

Travel and Subsistence

4.1 As a result of the overall strategy to secure in-year savings costs associated with travel and subsistence have been £0.217m less than budget.

5. SUPPLIES AND SERVICES

Communications

5.1 As a result of and a delay in the installation of a replacement telephone system (£0.100m), and the overall strategy to secure in-year savings, the budget for communications and ICT costs is underspent by £0.207m.

Personal Protective Equipment (PPE)

5.2 The roll out of the new PPE across the Service is now substantially complete and in the event costs associated with the roll out have not been as much as had been anticipated. In the next few years consideration will need to be given as to how funding is to be made available for replacement PPE once current issue is out of life.

6. ESTABLISHMENT COSTS

Insurances

6.1 An underspend against insurance costs of £0.251m includes a refund from FRAML, the mutual insurance company that DSFRS was part of until a few years ago, relating to the contribution that DSFRS made to FRAML to fund motor claims, which in the event was not required. In addition, further savings have been achieved as a result of less excess claims being funded from the Service budget than had been budgeted.

7. CAPITAL FINANCING COSTS

Capital Charges

7.1 Elsewhere in this report (Table 6) is the final outturn position in relation to 2012-13 capital spending which identifies that there has been significant slippage in spending against some capital projects. As a consequence of this slippage together with slippage from the previous year savings of £0.199m have been achieved against the capital charges budget.

Revenue Contribution to Capital Spending

7.2 A further consequence of the slippage in capital spending outlined above in paragraph 7.1 is that not all of the agreed Revenue Contribution to Capital Spending has been required in 2012-13. In order that the agreed revenue funding to capital is available to fund the spending when it occurs in 2013-14 it is necessary to transfer the unused balance of £2.832m into an Earmarked Reserve.

8. INCOME

Treasury Management Investment Income

8.1 Investment decisions made during the year, and a better than anticipated cash position, has resulted in investment income exceeding the original target by £0.131m.

Grants and Reimbursements

8.2 Whilst the Authority has received £0.329m more in grant income than budgeted, it should be emphasised that of the total grants received during the year an amount of £0.139m relates to grants that have been received from 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

8.3 A shortfall of £0.224m against the other income budget is a reflection of the difficult market conditions which, in particular, is having an impact on external training customers. This shortfall is partly offset by a reduction in training staff costs.

9. CONTRIBUTION TO EARMARKED RESERVES

9.1 The 2012-13 outturn figures in Table 2 includes three transfers to Earmarked Reserves, as follows:

1. **Grants Unapplied (£0.139m)** – as is outlined in paragraph 8.2 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 2013-14. An analysis of such grants is shown in Table 3 below.

TABLE 3 – UNSPENT GRANTS TO BE CARRIED FORWARD TO 2013-2014

Grant Received From	£m	Purpose of Grant
CLG	(0.088)	National resilience projects
Suretart	(0.033)	Road safety for young drivers & passengers
Learn2Live	(0.018)	Home safety visits for vulnerable people
TOTAL	**(0.139)**	

2. **2012-13 Budget Carry Forwards (£0.150m)**. Two committed projects planned to be delivered by 31 March 2013 have not been completed on time and a budget carry forward is therefore required to fund those costs in 2013-14. These projects relate to:

   - Replacement Telephone System - £0.100m.
   - Remedial works to put right leakage from Oil Bunker Container at Taunton Fire Station - £0.050m.

3. **Capital Funding Reserve (£2.832m)**. As is reported in paragraph 7.2 of this report, as a result of slippage in capital spending not all of the agreed direct revenue funding to capital has been required. The remaining balance of £2.832m is required to be carried forward to 2013-14, through an earmarked reserve, to fund the capital spending when it is actually incurred.

10. PROPOSALS FOR UTILISATION OF THE UNDERSPEND

10.1 It is proposed that the underspend of £1.681m is utilised to fund two further transfers into Earmarked Reserves, as follows:

(a) **Essential Spending Pressures 2013-14 (£0.103m)** – Since setting the 2013-14 revenue budget in February 2013 two essential spending items totalling £0.103m have been identified by budget holders for which no budget provision has been made. Since each of these items are one-off in nature it is proposed that funds be made available from the 2012-13 underspend by way of a transfer to Earmarked Reserves. The requested spending items relate to;

- Breathing Apparatus Cylinder Testing - £0.070m
- Specialist Rescue Level 4 Boat Training - £0.033m

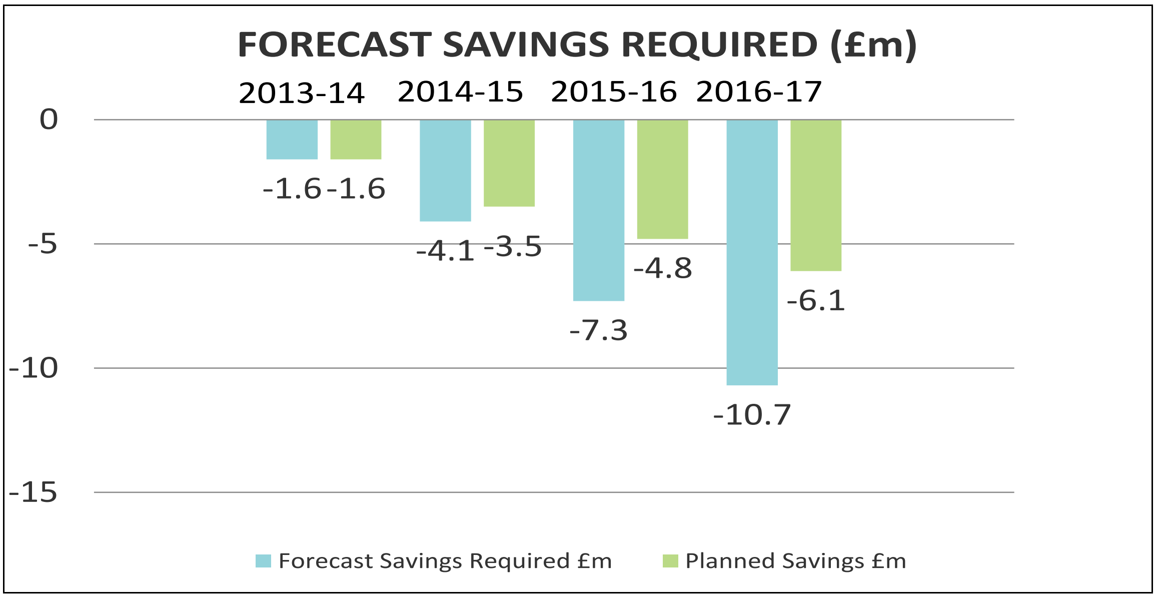
(b) **CSR 2010 Budget Strategy Reserve (£1.578m)** – it is proposed that the remaining underspend of £1.578m be transferred to the existing CSR 2010 Budget Strategy Reserve. If agreed this would increase the balance on this Reserve to £3.395m.

Members will be aware of our strategy to build this Reserve from in-year savings to be utilised over the next four years when the impact of the grant reductions will be more severe. We already know from the December 2012 Local Government Finance Settlement that our grant has been reduced by £5.5m by 2014-15, and this figure is exacerbated by the announcement in the Chancellors Budget in March 2013 of an additional 2% reduction to local government funding in 2014-15.

Chart 1 overleaf provides current forecasts of savings required over the four year period 2013-14 to 2016-17 together with forecast savings to be achieved over that period from the proposals contained in the current Corporate Plan. As is illustrated from this Chart, based on current forecasts, the planned savings deliverable from the proposals in the Corporate Plan will not cover the total savings required by 2016-17 which is why further proposals will need to be brought forward for consideration.

One of the key factors to the delivery of the required savings is the natural turnover of staff during the period. The balance in the CSR 2010 Budget Strategy Reserve will be available to smooth out the impact of the grant reductions over the four years, and also to fund any costs associated with any voluntary redundancy agreements.

CHART 1 – FORECAST SAVINGS REQUIRED 2013-14 TO 2016-17



11. RESERVES AND PROVISIONS

11.1 As well as the funds available to the authority by setting an annual budget, the Authority also holds Reserves and Provision balances.

Reserves

11.2 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

11.3 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.

11.4 A summary of balances on Reserves and Provisions as at 31 March 2013 is shown in Table 4 overleaf. 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.

11.5 In addition to the proposals for transfers to Reserves (Table Column 4), it is also recommended that an amount of £0.314m is transferred from Earmarked Reserves to the General Reserve (Table 4 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 £4.873m to £5.187m, equivalent to 6.59% of total revenue budget.

TABLE 4 – RESERVE AND PROVISION BALANCES AS AT 31 MARCH 2013

RESERVES AND PROVISIONS							
RESERVES		**Balance as at 1 April 2012 £000**	**Spend as at 31 March 2013 £000**	**Proposed Transfer of underspend £000**	**Proposed Transfer between Reserves £000**	**Projected Balance as at 31 March 2013 £000**	
Earmarked reserves							
Lundy Island Fire Cover	(12)	(12)	-		12	0	
Positive pressure ventilation training	(4)	(4)	-		4	0	
Mobilisation equipment	-	(57)	57		-	0	
Welfare building works	-	(15)	15		-	0	
Change & improvement training	(4)	(6)	2		4	0	
Gold command courses	(6)	(24)	18		6	0	
Interagency liaison officer costs	(1)	(10)	9		1	0	
Grants unapplied in 2010-11	(125)	(2,521)	146		125	(2,250)	
Change & improvement programme	(162)	(673)	-		162	(511)	
Commercial Services		(300)	47			(253)	
Direct Funding to Capital		(1,044)	-			(1,044)	
CSR 2010		(1,817)	-			(1,817)	
Year end proposals							
Support to capital programme within 2011-12 base				(2,832)		(2,832)	
2012-13 Budget Carry Forwards				(150)		(150)	
Grants unapplied in 2011-12				(139)		(139)	
Essential Spending Pressures				(103)		(103)	
CSR 2010				(1,578)		(1,578)	
Total earmarked reserves		**(6,483)**	**294**	**(4,802)**	**314**	**(10,677)**	
General reserve							
General fund balance		(4,873)			(314)	**(5,187)**	
Percentage of general reserve compared to net budget							-6.59%
TOTAL RESERVE BALANCES		**(11,356)**	**294**	**(4,802)**	**-**	**(15,864)**	
PROVISIONS							
Part time workers - retained fire fighters		(1,853)	1,027	(798)		(1,624)	
TOTAL PROVISIONS		**(1,853)**	1,027	(798)		**(1,624)**	

12. SUMMARY OF REVENUE SPENDING

12.1 Members will be well aware from budget monitoring reports considered during the financial year of the strategy adopted to seek in-year savings wherever possible which can be transferred at year end to the Authority Reserve balances. It is pleasing therefore that this strategy has resulted in an underspend position enabling a further transfer of £1.578m to be made to the CSR 2010 Reserve, increasing the balance on that Reserve to £3.395m.

12.2 It is forecast that this Reserve will be fully utilised over the next three year period to smooth out the impact to the Service revenue budget of the further severe grant reductions to come.

12.3 The Committee is asked to approve the recommendations in this report.

13. SECTION B – CAPITAL PROGRAMME 2012-2013 AND PRUDENTIAL INDICATORS

13.1 The capital programme for 2012-13 was originally set at £8.597m at the budget setting meeting held on the 17 February 2012. This programme figure has increased during the financial year to £10.647m, predominantly as a result of slippage in spending from the previous year, but also as a result of new capital spending items to be funded from grant income or revenue contributions. As has been reported to the Committee during the year whilst these changes represent an increase in the 2012-13 programme they do not represent an increase in the overall borrowing requirement. Table 5 overleaf provides a summary of the draft outturn position against the agreed 2012-2013 capital programme. This reports capital spending to be £4.662m against a total programme of £10.647m, resulting in slippage in spending of £5.985m.

TABLE 5 – DRAFT CAPITAL OUTTURN 2012-13

Draft Capital Outturn 2012/13

Item	PROJECT	2012/13 £000 Budget	2012/13 £000 Draft outturn	2012/13 £000 Variation to budget	Variation to budget: Slippage £000	Savings £000	Total variation £000
	Estate Development						
1	SHQ major building works	92	3	(89)	89		89
2	Major Projects - Training Facility at Exeter Airport	3,284	2,090	(1,194)	1,194		1,194
3	Minor improvements & structural maintenance	2,140	820	(1,320)	1,320		1,320
4	Welfare Facilities	15	15	0	0		0
5	USAR works	112	109	(3)	3		3
6	Minor Works slippage from 2010-11	343	343	0	0		0
7	Minor Works slippage from 2011-12	1,674	549	(1,125)	0	1,125	1,125
8	STC - Ship Structure	52	47	(5)	5		5
	Estates Sub Total	**7,712**	**3,976**	(3,736)	**2,611**	**1,125**	**3,736**
	Fleet & Equipment						
9	Appliance replacement	700	207	(493)	493		493
10	Specialist Operational Vehicles	920	251	(669)	669		669
11	Vehicles funded from revenue	184	183	(1)	1		1
12	Equipment	242	45	(197)	197		197
13	Appliance and Specialist Operational Vehicles slippage	889		(889)	648	241	889
				0			
	Fleet & Equipment Sub Total	**2,935**	**686**	(2,249)	**2,008**	**241**	**2,249**
	Overall Capital Totals	**10,647**	**4,662**	(5,985)	**4,619**	**1,366**	5,985
	Programme funding						
	Main programme	4,179	2,076	(2,103)	737	1,366	2,103
	Revenue funds	3,247	415	(2,832)	2,832		2,832
	Earmarked reserves	1,200	150	(1,050)	1,050		1,050
	Grants	2,021	2,021	-	0		0
		10,647	**4,662**	**(5,985)**	**4,619**	**1,366**	**5,985**

Slippage in Capital Spending 2012-13

13.2 Members are aware that this Authority has a three rolling capital programme, reviewed annually. This reflects changes in circumstances within individual projects and slippage that will occur from time to time. This is not unusual as is the case for the Training Academy at Exeter Airport. This has been delayed due to contract negotiations, contaminated land and poor weather. As a consequence, £1.1m has slipped into 2013/14. It is proposed to not proceed with projects planned for 2013/14, reducing the budget significantly. Those projects that have slipped into 2013/14 have been reassessed and a further £1.1m saved as a consequence by only taking forward those already committed.

13.3 There has also been slippage within the Fleet replacement programme from 2012/13 of £2m. Again this is not unusual and remains within the arrangements for a three rolling capital programme. This is a result of aligning the Specialist Vehicle replacement with the Tiered Approach at Tier 3. These vehicles are essential to the programme and include, Environmental Units, Incident Command Units, Prime Movers and 4 x 4 capability recognising the need to have improved arrangements for off-road, flooding and snow. This also includes vehicles for the Training Academy at Exeter Airport. These vehicles are all in various stages of build and the slippage reflects the continuations payments which allow the vehicles to be completed during 2013/14.

Prudential Indicators (including Treasury Management)

13.4 Appendix A provides a summary of the performance against all of the agreed Prudential Indicators for 2012-2013, which illustrates that there is no breach of any of these indicators.

External Borrowing

13.5 Table 5 also illustrates how the spending of £4.662m is to be financed, which includes additional borrowing of £2.076m required to finance capital spending. The total external borrowing figure at 31 March 2013 is £27.167m which reflects new borrowing taken out during the year as well as debt repayments. This level of borrowing is well within the Authorised Limit for external debt of £34.159m (the absolute maximum the Authority has agreed as affordable).

Treasury Management Income

13.6 Income achieved from the investment of working balances into short-term deposits is £0.231m which exceeds the target figure of £0.100m. This good result is primarily as a consequence of higher cash balances being available than anticipated, but also as a result sound investment decisions. Investment returns for quarter 4 have yielded an average return of 0.48%, which outperforms the LIBID 3 Month return (industry benchmark) of 0.38% for the quarter. For the whole year a return of 0.64% has been achieved as compared to the LIBID 3 month return of 0.56%.

14. SECTION C - OTHER FINANCIAL PERFORMANCE INDICATORS

Aged Debt Analysis

14.1 Total debtor invoices outstanding as at 31 March 2013 is £598,311, an increase on the previous reported figure of £249,120 as at 31 December 2012.

14.2 Of this figure an amount of £100,778 (£10,274 as at 31 December 2012) was due from debtors relating to invoices that are more than 85 days old, equating to 16.84% (4.12% as at 31 December 2012) of the total debt outstanding. Table 6 overleaf provides a summary of all debt outstanding as at 31 March 2013.

TABLE 6 – OUTSTANDING DEBT AS AT 31 DECEMBER 2012

	Total Value £	%
Current (allowed 28 days in which to pay invoice)	462,363	77.28%
1 to 28 days overdue	-	-
29-56 days overdue	22,929	3.83%
57-84 days overdue	12,241	2.05%
Over 85 days overdue	100,778	16.84%
Total Debt Outstanding as at 31st March 2013	**598,311**	**100.00%**

14.3 Table 7 below provides further analysis of those debts in excess of 85 days old.

TABLE 7 – DEBTS OUTSTANDING FOR MORE THAN 85 DAYS

	No	Total Value	Action Taken
Debts less than £1,000	5	£2,533	Each debt being pursued by the Risk and Insurance Officer.
Employee A	1	£1,034	Debt relates to a third party insurance claim. Being repaid by employee at £100 per month
Employee B	1	£6,479	Debt relates to third party insurance claim, Payment will be subject to insurance company settling the claim.
EDF Energy	1	£28.045	Debt relates to delivery of training courses. Amount currently in dispute with debtor therefore some risk of some part of the debt not being recovered.
Georgia Group	1	£62,687	Debt relates to refunds due to the Authority in relation to training courses not delivered. The case is currently being dealt with by the Risk and Insurance Officer.

Payment of Supplier Invoices within 30 days

14.4 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). Actual performance for the year was 95.44%, just below our target.

KEVIN WOODWARD
Treasurer to the Authority

PRUDENTIAL INDICATORS 2012-2013

Prudential Indicators and Treasury Management Indicators	**Actual £m**	**Target £m**	**Variance (favourable) /adverse**
Capital Expenditure	**4.662**	**10.647**	**(£5.985m)**
Capital Financing Requirement (CFR) - Total	**27.865**	**29.961**	**(£2.096m)**
- Borrowing	26.307	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	**3.66%**	**3.98%**	**(0.32)bp**
Cost of Borrowing – Total	**1.198**	**1.246**	**(£0.048m)**
-Interest on existing debt as at 31-3-12	1.147	1.147	
-Interest on proposed new debt in 2012-13	0051	0.099	
Investment Income – full year	**0.231**	**0.100**	**(£0.131m)**
	Actual (31 March 2013) %	**Target for quarter %**	Variance (favourable) /adverse
Investment Return	**0.48%**	**0.38%**	**(0.10) 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%)