

Financial Issues Update

Report of the Treasurer

For further information about this report please contact Keith Dixon, Treasurer, on 01743 260202, or Joanne Coadey, Principal Accountant, on 01743 260215.

1 Purpose of Report

This report updates the Committee on financial matters arising since the last performance report, and seeks approval for action, where necessary.

2 Recommendations

The Committee is asked to recommend that the Fire Authority:

- a) Note the position of the revenue budget;
- b) Approve an additional capital vote of £40,000 for the hybrid fire appliance in the 2010/11 capital programme;
- c) Note the financial issues of the St Michaels Street scheme;
- d) Note the current position on reserves and balances, and other balance sheet items; and subject to consideration of the following report (item 9 on the agenda)
- e) Approve an Information and Communications Technology Improvements Reserve.

3 Background

This report comprises a number of financial issues, which have arisen since the Committee was last updated on financial performance in January. Work is continuing on budget monitoring and review with officers, and this has led to a number of variances being identified. In addition, preparations for the financial year end on 31 March 2011 are now underway, and officers will begin to make arrangements to ensure an efficient closedown.

4 Revenue Budget

During 2010/11, the Fire Authority has approved net transfers to contingencies totalling £468,000. In addition, Members were advised that an underspend of £300,000 was likely in the Pay contingency, due to no pay awards being confirmed to date.

It can now be reported that a further £150,000 is likely to be underspent, as a balance remaining in the Prices contingency is unlikely to be allocated to service budgets before the end of the financial year.

Underspends of around £100,000 have also been identified during budget reviews with a number of officers, in part due to a reduction in expenditure on uniforms and personal protective equipment, in readiness for the introduction of new kit in the new financial year. These reviews will continue until the end of March, with further variances being reported to Members as part of the closedown process.

Control room costs and expenditure, associated with the ending of the Regional Control Centre project up to 31 January 2011, are being met from Grant received during 2010/11. Further costs managing the close down of the project will need to be funded, hopefully from grant.

5 Capital Programme

The capital programme for 2010/11 included a scheme for a replacement appliance, with a value of £200,000, and a scheme for a water carrier, at £120,000, was included in the programme for 2011/12.

The appliance that has been built in this financial year is a hybrid pump and water carrier, and negates the need for the capital scheme in 2011/12. However, the value of this year's capital scheme has not been sufficient to contain the costs of the hybrid appliance, and a further capital vote of £40,000 is, therefore, requested. The increase in debt charges of £4,000 can be contained within the existing budget.

St Michaels Street Scheme

Current projections indicate that this scheme is within budget, although there is likely to be additional, unanticipated expenditure as follows:

- Additional costs will be incurred following the end of the Regional Fire Control project, as Fire Control will now be accommodated within the new headquarters building.
- Quotes are currently being sought for the "lift and shift" of the command and control system into the new building.

Funds for these additional costs will be identified as part of the ongoing budget monitoring of this scheme and of the revenue budget as a whole, and proposals brought to Members.

6 Reserves and Provisions

Work has begun on the review of the Authority's reserves and provisions for the end of the financial year, and will continue throughout the year end process. Developments, which can be brought to the attention of the Committee at this time, are:

- The **Equipment Replacement Provision**, which has worked successfully in smoothing expenditure from the revenue account, will contain only a small amount by the end of the year. It is proposed that this provision is increased by about £40,000 from one-off savings, using underspends from the area of the budget, which has benefitted from the use of the provision, i.e. the Equipment and Uniforms, and Fleet Management budgets.
- The establishment of an **Information and Communications Technology (ICT) Reserve**. There are a number of information and communications issues, as well as those related to the end of the Regional Fire Control Project. To manage these developments it is suggested that an ICT Improvements Reserve is established, when the accounts are closed. Details of how the reserve would be established and used are set out in the following report (item 9 on the agenda) on Information and Communications Technology.
- The **Efficiency Reserve** has been used over the last two years to assist the St Michaels Street project, by funding consultancy work and specialist support for the project. There is likely to be a balance remaining in the reserve of around £60,000, which might be transferred to the ICT Improvements Reserve.

7 Other Balance Sheet Items

The main issues to draw to the Committee's attention are:

Loans Raised

There have been no loans raised, and the existing policy of delaying borrowing by using cash balances is continuing. Indeed, there will be an examination of the merits of using the balances expected on closing the accounts to fund schemes currently identified to be met from borrowing.

Investments

As expected, investments at £8.27 million are exceeding the level originally budgeted, reflecting the underspendings in the current year, although the figures are also temporarily inflated by the receipt of precept income.

At the time of writing the £8.27 million is invested as follows:

	£ million
Lloyds	1.42
NatWest	1.85
Nationwide	2.00
Clydesdale	2.00
Birmingham City Council	1.00
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	8.27
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8 Financial Implications

The financial implications are as set out in the main body of the report.

9 Legal Comment

There are no direct legal implications arising from this report.

10 Equality Impact Assessment

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Personnel 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment has not, therefore, been completed.

11 Appendix

There are no appendices attached to this report.

12 Background Papers

There are no background papers associated with this report.