

## Use of General Fund Balance 2012/13

### Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 255011 or Joanne Coadey, Head of Finance, on 01743 260215.

### 1 Purpose of Report

This report sets out proposals for the use of the General Fund balance following the 2012/13 financial year end, and provides more information to the Committee regarding budgets, which were overspent at the end of the year.

### 2 Recommendations

The Committee is asked to:

- a) Recommend that the Fire Authority approve proposed uses for the General Fund balance, including the creation of new reserves and provisions, where necessary; and
- b) Note the information provided regarding the position of revenue budgets at the end of the year.

### 3 Background

At its meeting on 10 July, the Fire Authority was informed that, at the end of financial year 2012/13, a balance of £1.506m remained in the General Fund. It was reported that £147,000 of the balance was due to budgeted expenditure that had slipped into the following year, and Members were asked to approve that this amount be added to the revenue budget for 2013/14. This left a balance of £1.359m.

In previous years, the balance of the General Fund has been allocated to Authority reserves, where specific pressures have been identified. However, in light of the significant financial pressures faced by the Authority into the medium term, Members were informed that officers planned to undertake a review to identify the best use of this balance. It is hoped that this review will enable further reductions to be made to the revenue budget in future years.

#### 4 Proposed Use of General Fund Balance

	£'000
<b>Balance at 31 March 2013</b>	<b>1,506</b>
<b>Slippage</b> – added to revenue budgets 2013/14	-147
<b>Balance</b>	<b>1,359</b>

<p><b>Contributions to existing reserves and provisions:</b></p> <p><b>Information and Communications Technology (ICT) Reserve</b> This would ensure that funds are available to continue the necessary ICT improvements and developments in future years.</p> <p style="text-align: right;">200</p> <p><b>Service Transformation Programme (STP) Staff Reserve</b> This reserve is in place to fund secondments or new posts for the completion of STP projects. These projects will continue to run over the next few years, and the reserve provides the capacity to enable their completion.</p> <p style="text-align: right;">150</p> <p><b>Equipment Replacement Provision</b> Replacement equipment and large items of unexpected expenditure are funded from this provision, to avoid peaks in revenue budgets. It is proposed that the provision is increased, to avoid unnecessary revenue increases in future years.</p> <p style="text-align: right;">59</p>	
<p><b>Creation of new reserves / provisions:</b></p> <p><b>Training</b> There have been, and will continue to be, changes in the management structure of the Service, which will inevitably require additional training and development of staff over the next three years and beyond. It is proposed that a reserve is created to enable this training and development to be carried out, without adding additional pressure to the revenue budget.</p> <p style="text-align: right;">250</p> <p>This development will vary from executive leadership and gold command, to middle management courses, which may not necessarily require a regular revenue budget. Contributions will be made to revenue budgets from the reserve for this expenditure, and any savings made in the revenue budgets can be used to replenish the reserve.</p>	

<p><b>New Operational Equipment</b>  One of the areas of the Service’s revenue budget that is constantly under pressure is Operational Equipment. An ongoing review is attempting to identify what the main elements of spending in this area are, and how the budget can be used in a smarter way to reduce this budget pressure.</p> <p>It is proposed that some funds are set aside in a reserve to provide some financial stability in this area. Where a need for new equipment is identified, contributions can be made from the reserve, and any ongoing requirements for the equipment can be established. In the meantime, officers can continue to analyse and manage revenue expenditure, leading to realistic budget setting in future years.</p> <p><b>Building Maintenance</b>  Another pressured area of the revenue budget is Buildings Maintenance. This budget is used to fund preventative or controlled maintenance in line with the Authority’s Asset Management Plan, and also covers unexpected reactive maintenance.</p> <p>It is proposed that the revenue budget is used for regular planned maintenance of buildings, and that a reserve is created to deal with exceptional, unexpected repairs, that do not require a regular revenue budget. Contributions would be made from the reserve into the revenue budget, where necessary, and any resulting underspends would be used to replenish the reserve.</p> <p>It is hoped that using this approach for property maintenance will result in a reduced revenue budget going forward, although the Buildings Maintenance budget has been reduced by £100,000 over two years as part of the Public Value review, and expenditure is currently exceeding budgeted levels. However, with the creation of this reserve and also the one detailed above, if expenditure can be controlled and managed within these areas, other budgets can be reduced with confidence.</p>	<p>300</p> <p>400</p>
<p><b>Balance</b></p>	<p><b>1,359</b></p>

## 5 Analysis of Overspent Budgets

Members also requested at the July meeting that an explanation was provided to the Committee, of areas of the revenue budget that were overspent at the end of the financial year. This information has been provided at the Appendix.

## **6 Financial Implications**

There are no financial implications other than those referred to in the report.

## **7 Legal Comment**

There are no legal implications arising from this report.

## **8 Initial Impact Assessment**

An Initial Impact Assessment has been completed.

## **9 Appendix**

Analysis of Revenue Budget Variances 2012/13

## **10 Background Papers**

There are no background papers associated with this report.

**Analysis of Revenue Budget Variances 2012/13**

**£'000**

54	Information technology for Incident Command Suite, Fire Service College training, officer training	
90	Service Transformation Programme (STP) projects budgeted 2012/13, not completed:	
	Performance system	
	Fire Service Emergency Cover (FSEC) Upgrade	
	Road Model	
	Planweb	
	Virtual Desktop	
	Mobile working – communications review	
3	Retained recruitment	
147		
827	Pay and price contingency in base	
67	Part-time executive officer	32
	Development Manager seconded to STP	35
95	Wholtime overtime	27
	Pension savings	47
	Control vacancy	21
300	Retained:	
	Modified duties additional budget, not required	127
	Drills	16
	Turnouts	8
	Additional hours	36
	Community fire safety hours	36
	Holiday pay	7
	National Insurance	33
	Part-Time Workers compensation	12
	Bounty budget	9
	Training	(14)
	Retained Support Officer to Retained Duty System development post	23
	Additional Retained Support Officer	(8)
	Retained Duty System Development allowances	6
	Officers pension	9
(67)	Unbudgeted Watch Manager Operations	(34)
	2 vacancies and 2 unbudgeted posts – net	(25)
	National Insurance contributions on officers' cars	(8)
6	Mechanics overtime	11
	Project delivery fees	(5)
99	Regular injury payments	(20)
	Ill-health retirement	(59)
	Ill-health transfer	183
	Fees	(5)
(62)	Communications telephony and mobilising	(33)
	Software and licences	(52)
	Hardware	12
	Radio	11

*Some of the overspends listed on the previous page could have been cleared by contribution from reserves, but the decision was made to leave the reserve intact and these overspends are to be netted off in the General Fund balance.*

- (79) Operational equipment (61)
  - Equipment maintenance (30)  
*£35k was taken from the Operational Equipment Budgets partway through the year, as an underspend was anticipated.*
  - Uniforms (44)  
*20 more retained recruits than budgeted, increased expenditure of around £20k*
  - Further underspend of £24k – budget reduced as part of Public Value in 2011/12*
  - Laundry 6
- (50) Equipment replacement  
*Contribution has been made to the Equipment Replacement Provision*
- (54) Building repairs and maintenance (29)  
*Increased reactive maintenance (14k Tweedale, 12k Telford Central), reduction in budget as part of Public Value, some repair works done to Minsterley and Wellington prior to improvement works*
  - Gas and electricity (31)  
*Seasonal variations, some unexpected further costs from 2011/12*
  - Water and waste disposal 5
  - Cleaning (6)
  - Furniture (11)  
*Study beds Wellington, also further office furniture at Wellington*
  - Printing and stationery 14
  - Hydrants 4
- (73) Fuel (22)  
*Increased usage / increased cost of fuel*
  - Vehicle expenses 7
  - Workshop repairs and parts (58)  
*Some large unbudgeted reactive maintenance – case for charging this expenditure to the provision*
  - More complex maintenance on appliances – less parts to go wrong but more expensive when they do*
  - Cycles of spend, i.e. batteries on appliances, to be smoothed in future years*
- 25 Fire safety initiatives
- 66 Health and safety training 14
  - Training equipment 11
  - Junior officer training 10
  - Course expenses (14)
  - Recruitment advertising 14
  - Consultancy and legal advice 20
  - Other 1
  - Equality and diversity 5
  - Health and safety 5
- 14 Interest on investments 10
  - Leasing (6)
  - Insurance 9
  - Members 10
  - Other financial (9)

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1,114