Shropshire and Wrekin Fire and Rescue Authority 25 September 2013

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Shropshire and Wrekin Fire and Rescue Authority
Strategy and Resources Committee
12 September 2013

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
Balance at 31 March 2013	1,506
Slippage – added to revenue budgets 2013/14	-147
Balance	1,359

Contributions to existing reserves and provisions:	
Information and Communications Technology (ICT) Reserve This would ensure that funds are available to continue the necessary ICT improvements and developments in future years.	200
Service Transformation Programme (STP) Staff Reserve 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.	150
Equipment Replacement Provision 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.	59
Creation of new reserves / provisions:	
Training 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.	250
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.	

New Operational Equipment 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.	300
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.	
Building Maintenance 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.	400
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.	
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.	
Balance	1,359

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	
	Pay and price contingency in base
67	Part-time executive officer 32
	Development Manager seconded to STP 35
95	
	Pension savings 47
000	Control vacancy 21
300	
	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)	
	2 vacancies and 2 unbudgeted posts – net (25)
_	National Insurance contributions on officers' cars (8)
6	Mechanics overtime 11
00	Project delivery fees (5)
99	
	III-health retirement (59)
	III-health transfer 183
(62)	Fees (5) Communications telephony and mobilising (33)
(02)	Software and licences (52)
	Hardware 12
	Radio 11
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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)

1,114