

# Budget Monitoring and Prudential Guidelines 2007/08

## Report of the Treasurer

For further information about this report please contact Joanne Coadey,  
Principal Accountant on 01743 260215.

### 1 Purpose of Report

This report seeks approval for use of the Fire Authority's General Fund balance, and also outlines key issues for consideration in its revenue budget monitoring for 2007/08.

The report also forms part of the Fire Authority's regular monitoring process for its prudential indicators.

### 2 Recommendations

The Fire Authority is asked to:

- a) Note progress on the revenue budget and approve the virement at paragraph 4 i.e. transfer £40,000 to invest in Community Fire Safety initiatives;
- b) Approve the use of the General Fund balance of £68,000 for Community Fire Safety initiatives (paragraph 5);
- c) Approve the virement of £284,000 from the General Fund balance to the various budgets set out in the Appendix where expenditure has slipped from 2006/07 (paragraph 5); and
- d) Note progress against its prudential indicators.

### 3 Background

At its meeting on 14 February 2007, the Fire Authority approved its revenue budget for 2007/08 in key service areas, namely

- Executive
- Service Delivery
- Strategy and Performance
- Human Resources and Development
- Resources



This approval reinforced the link between service and financial planning, and will enable financial monitoring and performance to be reviewed together in the future.

Following this approval, it is proposed that budget monitoring reports brought to the Fire Authority in the coming months will also show the financial position of each service area, in terms of its pay and other budgets. In addition, key budgets will be reviewed and exceptional variances, some of which may require virement approval, will be reported.

A full revenue budget monitoring report, incorporating this service area summary, will be presented to Strategy and Resources Committee in September.

#### **4 Revenue Budget 2007/08 – Key Issues**

- **Interest on Investments**

Due to the level of cash and balances currently held by the Fire Authority, income on investments has exceeded levels predicted at this point in the year, and there are indications from Treasury Services that this is likely to continue.

It is proposed that £40,000 is transferred from this budget to Community Fire Safety initiatives, to continue progress being made on smoke alarm installation in rural Shropshire.

- **Firefighters Pay Award**

A pay award of 2.4% has been agreed for firefighters and Control Room staff. It is envisaged that this will be contained within the pay contingency, as this was based on an increase of 3.5%. However, payments for Continuing Professional Development (CPD) will have to be met from the revenue budget, with the pay contingency and the CPD provision meeting any shortfall.

- **Adverse Weather Conditions**

It is too early to confirm the financial consequences of the recent adverse weather conditions – this will be calculated following payments to retained firefighters in July. However, the Extreme Weather Reserve, which was set up in 2005/06 for such occasions, may be called upon to alleviate revenue budgets should this be required.

In addition, the costs of support offered to South Yorkshire Fire and Rescue will be established, and reimbursement requested.



## 5 Balance on General Fund

During presentation of the Statement of Accounts 2007/08 to members in May, and also to the Fire Authority in June, it was reported that a balance of £68,000 remained on the Fire Authority's General Fund. This represented funds which were identified during the closedown process, and these funds have not been allocated to reserves and balances.

The Fire Authority is requested to consider the transfer of this balance to Community Fire Safety initiatives, to continue progress being made on the installation of smoke alarms in rural areas of Shropshire.

The Final Accounts also identified £284,000 of budgeted expenditure which has slipped into 2007/08. These are listed in the Appendix, and it is recommended that these sums are added to budgets in 2007/08, thereby reducing the General Fund to zero.

The General Reserve has also been reviewed as part of closing the 2006/07 accounts. Some relatively small potential adjustments have been identified, but it is recommended that these be taken into account as part of the 2008/09 budget process in the autumn.

## 6 Prudential Indicators

In line with the Chartered Institute for Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance, the Treasurer is required to establish procedures to monitor performance against all forward looking prudential indicators and, in particular, that net external borrowing does not (except in the short term) exceed the requirement to borrow for capital purposes.

The Fire Authority has established that it will receive quarterly monitoring reports, of which this is the first for 2007/08.

## 7 Monitoring to June 2007

### a) **Authorised Limit for External Debt (£8,474,000)**

The prudential indicator of £8.474m includes a provision for temporary borrowing, should the receipt of revenue money be delayed, although this should happen very rarely. The Limit currently stands at £4.472m, i.e. well within the indicator.

### b) **Operational Boundary for Borrowing (£6,005,000)**

The Boundary, unlike the Authorised Limit, may be exceeded, although this would trigger an investigation. At £5.110m, the Boundary is well within the set indicator, as the Fire Authority has not yet borrowed any funds for its 2007/08 capital programme.



**c) Capital Financing Requirement (£5,474,000)**

Again, as the Fire Authority has yet to borrow for its capital programme, the Capital Financing Requirement, at £4.472m, is well within its indicator.

**d) Net Borrowing**

Currently, investments of £5.060m almost exceed the Fire Authority's outstanding borrowing of £5.11m.

**8 Financial Implications**

The financial implications are as outlined in the report.

**9 Legal Comment**

The Local Government Act 2003 introduced Prudential Guidelines with effect from 1 April 2004. The Fire Authority is required to follow the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance, which establishes the framework for capital spending by local authorities to ensure that plans are affordable, prudent and sustainable.

**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**

Schedule of Budgeted Expenditure slipped from 2006/07 into 2007/08.

**12 Background Papers**

There are no background papers associated with this report.



Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balanced Score Card		Integrated Risk Management Planning	
Business Continuity Planning		Legal	*
Capacity		Member Involvement	
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment		Operational Assurance	
Efficiency Savings		Retained	
Environmental		Risk and Insurance	
Financial	*	Staff	
Fire Control/Fire Link		Strategic Planning	
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*



**Schedule of Budgeted Expenditure slipped from  
2006/07 into 2007/08**

<b>Slipped Expenditure for approval to spend in 2007/08</b>	<b>£ 000</b>	<b>£ 000</b>
1 New Dimensions secondment	20	
2 Prevention data input work	20	
3 Road Safety Strategy	12	
4 Fire Safety system maintenance and equipment	13	
5 Start up costs for Geographical Intelligence Unit	27	
6 Arson initiatives	1	
7 Health and Safety systems	6	
8 Communications and mobilising schemes	52	
9 Training and development	31	
10 Legal costs for Retained part-time tribunal	9	
11 Programme Office consultancy	1	
12 New Dimensions grant – aided training	22	
13 Operational Equipment	10	224
<b>Previously approved by the Authority (October 2006)</b>		
14 Firefighter salaries for recruitment in 2007/08		60
<b>TOTAL</b>		<b>284</b>

The balance of £284,000 is currently held in the Authority's balance sheet as a General Fund balance.