

Financial Monitoring and Review

Report of the Treasurer

For further information about this report please contact Keith Dixon, Treasurer, on 01743 260202.

1 Purpose of Report

This report, one in a regular sequence, informs the Fire Authority of the financial performance since the previous report, or in the last quarter, whichever period is shorter. It seeks approval for any necessary action, where appropriate.

2 Recommendations

The Fire Authority is asked to:

- a) Note the position on the Final Accounts and Revenue Budget (paragraphs 4 and 5);
- b) Approve the capital virements in paragraph 6;
- c) Approve the retention of capital efficiencies in the Capital Reserve (paragraphs 7 and 8);
- d) Note the extended monitoring of other balances (paragraph 9); and
- e) Ask its Audit and Performance Management Committee to consider financial performance indicators (paragraph 10)

3 Background

The Fire Authority's Audit and Performance Management Committee received the Annual Audit letter on 13 March 2008, and heard that financial management could further be improved by providing Members with accrued financial monitoring reports, supported by estimates of significant balances during the year.

Examples of key balances were given as assets, liabilities, debtors and creditors.

Another area of improvement opportunity was the setting of “challenging targets to monitor key financial health indicators, and where target levels of reserves and balances are exceeded identifying and reporting to Members the opportunity costs of maintaining these levels compared to the benefits accrued”.

The Audit Commission was asked to produce examples of good practice from the four authorities, whose score exceeded our own. This report is modelled on such an example.

4 2007/08 Final Accounts

It is too early to report on the overall outcome, although one issue will be the Retained Firefighters and the Part Time Workers Regulations Employment Tribunal, reported at item 17 on the agenda.

5 2008/09 Revenue Monitoring

Although it is too early to seek formal approval to virements, it is already clear that a number of underspendings are likely to take place as service pressures develop, as follows:

	2008/09	Later Years
	£000	£000
Budget Variations following monitoring		
Audit Commission fees – following rethink by the Audit Commission	10	15
Price inflation on fuel, travelling costs, utilities	(currently contained in contingency)	
Human Resource technical support work	15	-
Total overspend / (underspends)	5	(15)
Transfer from / (to) the Key Business Area Contingencies which make up the General Fund	(5)	15

The Appendix sets out the budget monitoring by Key Business Area.

6 Capital Progress

The Capital Budget consists of schemes programmed to start in 2006/07, 2007/08 and 2008/09. A number of variations have been identified. It is **recommended** that the capital virements shown on the following page are made.

	Virement £000
2006/07 Schemes	
1 Appliance Replacement (Estimate £173,000) – additional cost	13.8 +
2 Rescue Tender (Estimate £225,000) savings	3.6 -
3 IT Systems (Estimate £18,000) savings	6.7 -
4 Standby Control (Estimate £12,500) savings	8.1 -
2007/08 Schemes	
5 IT Systems (Estimate £50,000) This budget has been used to fund the link between Shrewsbury and Telford. There is an expected additional capital requirement of £10,000.	10.0 +
6 Station End Equipment (Estimate £10,000) The scheme has largely been dealt with through revenue.	10.0 -
7 Ford Rangers (Estimate £80,000) Efficiency savings through reallocating existing Rangers and purchasing Kangoos in their place.	18.9 -
8 Top Floor Improvements – Telford (£100,000) The scheme has been delayed because of wider issues of accommodation and specification matters. It is proposed to cancel this scheme and break it down into elements that will avoid these problems as follows:-	100.0 -
9 Telford Station Improvements – 2008/09 Deal with the movement of the dormitory from the top floor	40.0 +
10 Telford Lecture Hall – 2008/09 Address the need for a “dirty” lecture room.	60.0 +
11 Fire Alarm Installations (Estimate £100,000) This scheme has to some extent been accommodated within building work schemes, resulting in savings. The remaining balance is needed for wireless alarms at Telford and Wellington.	70.0 -
12 Training Improvements (Estimate £30,000) This is likely to be underspent as there have been delays in delivering the anticipated drill towers within time and budget.	17.5 -
13 Road Traffic Collision Equipment for Rangers (Estimate £50,000) £23,000 has been used to convert an additional appliance to a rescue pump, leaving £27,000 remaining.	-
Net reduction in payments in 2006/07 and 2007/08 starts	<u><u>111.0</u></u> -

2008/09 and later years' Starts

A complete review of progress will be brought through future monitoring reports. For the moment it is recommended that the £92,100 net underspends are added to the programme of Training Drill Towers (currently £90,000) in the light of the cost pressures identified on their construction.	92.1	+
It is recommended that the efficiency saving (scheme 7) is retained in the capital reserve (see paragraph 7)	18.9	
	<u>111.0</u>	

7 Efficiencies

The £18,900 efficiency reported on the capital programmes (scheme 7) will result in a one-off reduction in the use of the capital reserve and ongoing contributions of £2,700 for seven years. Otherwise, there have been no further changes to the reported £233,000 achieved in 2007/08, or the £100,000 included in the 2008/09 budget.

8 Reserves, Provisions and Balances

The 2008/09 budget included the following budgets:

	1 April 2008 £ 000	31 March 2009 £ 000
i General Fund	-	-
ii General Reserve	1,002	1,052
iii Provisions	86	89
iv Revenue Reserves – Earmarked	1,230	945
v Capital Reserves	681	785
	<u>2,999</u>	<u>2,871</u>

General Fund

The Authority's policy is not to hold monies in a General Fund, i.e. one which is not earmarked for a specific service purpose.

General Reserves

The Authority's policy is to build up a reserve based on known, quantified risks. This is budgeted to increase with pay or price inflation, but would otherwise change only if the Risk Register identified changes to probability, new risks or the cessation of previously identified risks. This will be reviewed in the light of the result of the Employment Tribunal (see paragraph 4 above).

Provisions

This provides for known and quantified future replacement of equipment. No changes have yet been identified.

Revenue Reserves – Earmarked

These reserves deal firstly with specific known risks, for which average revenue budget provision is made. These will increase or decrease, depending on whether spending in the year is above or below the average. These reserves include the Extreme Weather and Pensions Reserves, totalling £783,000 at 31 March 2009. Secondly, there is a reserve to invest in Efficiencies (£60,000) and a Retained Review Project Reserve (£102,000) to fund the introduction of the Retained Review on a phased basis. At present there is no reason to think these reserves will vary from their budget targets.

Capital Reserve

The Authority's policy is to use the General Fund, if available, to increase the capital reserve, with the intention of minimising the impact of the St Michael's Street project on prudential borrowing and, therefore, future budget levels. It is too early to say whether this reserve will be enhanced, from the General Fund, but it is recommended that the £18,900 efficiency identified remains within the reserve to use for St Michael's Street.

9 Other Balance Sheet Items

Your officers have previously reported these on an exceptions basis, i.e. only if a major variation in expected levels were to arise. Having reviewed this policy in the light of the Auditor's comments, your officers consider this to be the most effective process for items, such as assets and creditors. There may, however, be value in reporting others more regularly, such as cash and investments, debtors, which reveal how the overall movements in balances are proceeding, and, in the case of debtors, whether monies are being effectively secured.

	Actual £ 000	Budget £ 000
i Cash and Investments 31/03/08	5,349	4,822

The increased level is largely due to the slippage in the capital programme.

	Actual £ 000
ii Debtors 31/03/08	473

The bulk comprise payments in advance; payments due from government or public bodies (e.g. VAT); and income, where a specific invoice has been raised. This latter totals £44,434, of which £3,800 is aged over 60 days, with an average invoice of about £200.

It is intended to continue monitoring separately the Prudential Indicators, which pick up information on borrowing and capital expenditure.

10 Key Financial Health Indicators

An improvement opportunity was said to be setting challenging targets to monitor key financial health indicators. By regular monitoring of expenditure and income against revenue and capital budgets, the key financial health indicators are in place. This is supported by regular control of actual performance against prudential indicators, and, in future, by budget monitoring against budgeted balances, as set out earlier in the report.

Performance indicators, which have also been identified include:

Average rate of borrowing	Target * %
Average rate of return on investments	* %
Prompt payment of invoices	%
Turnaround targets for:	% in x days
Purchase Orders	
Petty cash reimbursements	
Sales invoice production	
Reminder letters	
Expense claims	

* Both reported each year in the Annual Treasury Management Report

Of these, none can be described as key, although by setting and monitoring targets, financial administration can be improved. It is recommended that a report considering these financial performance indicators be taken to the next meeting of the Audit and Performance Management Committee.

11 Financial Implications

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

12 Legal Comment

There are no direct legal implications arising from this report.

13 Equality Impact Assessment

This report is an update on financial monitoring and, as such, the recommendations within the report have no impact on people. An Initial Equality Impact Assessment has not, therefore, been completed for the report.

14 Appendix

Revenue Budget 2008/09 Key Service Areas

15 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	*

Revenue Budget 2008/09 Key Service Areas	Pay £'000	Other £'000	Total £'000
Executive			
Executive	301	68	369
Corporate Support	167	449	616
Finance	137	1,512	1,649
<u>Total Executive</u>	605	2,029	2,634
Service Delivery			
Operational Response	388	0	388
Fire Prevention	1,019	100	1,119
District Performance	9,837	0	9,837
Fire Control	665	95	760
<u>Total Service Delivery</u>	11,909	195	12,104
Strategy and Performance			
Management of Risk	310	89	399
Programme Office and Regional Management Board	275	37	312
Information and Communications	180	701	881
<u>Total Strategy and Performance</u>	765	827	1,592
Human Resources and Development			
Human Resources	295	174	469
Training and Development	708	406	1,114
<u>Total Human Resources and Development</u>	1,003	580	1,583
Resources			
Technical Services	267	1,560	1,827
Workshops	177	117	294
<u>Total Resources</u>	444	1,677	2,121
Total Revenue Budget	14,726	5,308	20,034

For the purposes of Financial Standing Orders, revenue votes are described in **bold** print and underlined