

## Financial Performance to September 2008

### Report of the Chief Fire Officer

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 provides information on the financial performance of the service to date, and seeks approval for action, where necessary.

#### 2 Recommendations

The Fire Authority is asked to:

- a) Note the position of the revenue budget
- b) Approve virements to the revenue budget where requested
- c) Note virements approved under delegated powers
- d) Note the position on the capital programme
- e) Note performance against prudential indicators, and
- f) Note the information provided on balance sheet items

#### 3 Background

This is the third review of financial performance to date for 2008/09, which encompasses the monitoring of revenue budgets and capital schemes, the review of prudential indicators, and the monitoring of other balances held within the Authority's accounts.

#### 4 Revenue Budget

Exceptional variances in the revenue budget to the end of September are detailed in the table below.

	<b>(Over) / Underspend £'000</b>
<b>Executive</b>	
<b>Leasing</b> – following a previous transfer of £80k into contingency, this budget is likely to overspend, following a payment to reschedule some leases	(12)
<b>Service Delivery</b>	
<b>District</b>	
<b>Overtime</b> – following a detailed review of the overtime budget, it would appear that there will be savings in both structured and other overtime. In addition, there will be one off savings in overtime payments on public holidays	55
<b>Retained Duty System</b>	
Some savings have already been identified in the retained budgets this year, and it has been reported to members that there is scope within the budget to fund development initiatives for the retained duty system. In addition, turnout levels have been low this year, and this will be discussed in the budget strategy papers later on the agenda.	
Further savings identified:	
<b>Turnouts</b>	30
<b>Additional Hours– Incidents</b>	30
<b>Drills</b>	20
<b>National Insurance</b>	17
<b>Retained Holiday Pay</b>	20
Spend on these two areas is dependant on spend in other retained budgets	
<b>Resources</b>	
<b>Contract Hire Charges</b> – charges for lease cars currently held will exceed budget, and may need to be reviewed for the coming year	(8)
<b>Total</b>	<b>152</b>

It is proposed that variances will be transferred to individual contingencies.

## Virements approved under delegated powers

The following virements have been approved using powers delegated by the Fire Authority to the Chief Fire Officer and the Treasurer. Members are asked to note the virements approved.

	<b>£'000</b>
<b>Executive</b> – a virement was required to fund temporary staff in this area.	6
<b>Hospitality</b> – an increase was required to cover anticipated expenditure – this budget has been reviewed as part of the 2009/10 budget strategy.	3
<b>Operational Equipment</b> – funds were required to purchase fire investigation equipment, for the new flexi duty officers who were introduced as part of the 2008/09 budget.	3
<b>Information Management</b> – projectors have been installed at a number of retained stations, to aid training and presentation.	7
<b>Communications</b> – a virement was required to install running call phones at retained stations	10

These virements were taken from individual contingencies.

## Vacancies Management

A total of £100,000 was taken out of the budget for 2008/09 and future years, which reflected the savings that could be made from vacant posts throughout the year. The table below shows how the total has been allocated to business areas, and how much has been identified to date. These savings do not form part of the variances above as the budget has already been reduced by the total amount.

	<b>Identified to date £'000</b>	<b>Target savings £'000</b>
Executive	0	4
Service Delivery	81	81
Strategy & Performance	5	5
Human Resources & Development	7	7
Resources	2	3
<b>Total</b>	<b>95</b>	<b>100</b>

## 5 Capital Programme

The appendix to the report provides an overview of the capital schemes within the Brigade, and the expenditure on each scheme to the end of September. Progress on each of the schemes will be reported later on the agenda.

## 6 Reserves and Provisions

The balances held on reserves and provisions are shown below. Each balance has been reviewed as part of the budget setting process for 2009/10.

- **General Reserve (£988,000)**  
Represents financial risks that are faced by the Authority, based on a probability of occurrence. No demands have been identified to date, however the estimated costs associated with the Retained Firefighters Part Time Working Directive outcome are included within the reserve.
- **Efficiency Reserve (£109,000)**  
To be used on initiatives with a one off cost that will result in efficiencies. Cost of property advisor is currently committed from this reserve.
- **Retained Reserve (£99,000)**  
Investment in the retained reserve was slipped from 2007/08 into this year – this reserve will smooth out fluctuations in precept.

A balance of £98,000 has been transferred to the revenue budget, to fund this year's growth in the retained duty system.

- **Pension Liabilities Reserve (£461,000)**  
This reserve provides for the possibility of exceptional numbers of retirements.
- **Equipment Replacement Provision (£92,000)**  
Operational equipment programmes are funded via this provision, with an annual contribution to replace expenditure – this should relieve pressure on the revenue budget
- **Extreme Weather Reserve (£295,000)**  
This reserve will cover excess levels of retained activity due to extreme weather.
- **Capital Reserve (£1,236,000)**  
This reserve allows for the funding of small capital schemes, avoiding long term borrowing. Payments from the reserve are replaced with annual contributions. Actual spending will be linked to the delivery of the capital programme. This reserve will be maximised through the transfer of underspends on the revenue budget during the year.

A balance of £157,000 has been transferred to the revenue account in July – this is to fund one off growth items in the 2008/09 budget and should have remained in the General Fund at year end. In addition, a budgeted contribution of £231,000 has been made to the capital reserve.

## 7 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 during the year.

- **Authorised Limit for External Debt (£9,217,000)**

The Authorised Limit represents the amount required to fund the Authority's capital financing, plus a provision for temporary borrowing, should the receipt of revenue money be delayed, although this should happen very rarely.

The Limit currently stands at £5.548m, i.e. well within the indicator. No temporary borrowing has been necessary.

- **Operational Boundary for Borrowing (£6,356,000)**

The Boundary represents the capital investment entered into by the Authority, including any loans to be taken during the year. Unlike the Authorised Limit, this may be exceeded, although this would trigger an investigation.

At £5.610m, the Boundary is well within the set indicator, as, at 30 September 2008, the Fire Authority had not yet borrowed any funds for its 2008/09 capital programme.

- **Capital Financing Requirement (£6,217,000)**

This is the amount required by the Authority to fund its capital investment, and the actual balance for the year will increase as funds are borrowed for the 2008/09 capital programme.

As the Authority still has a number of schemes to pay for within its capital programme, the Capital Financing Requirement, at £5.548m, is well within its indicator.

- **Net Borrowing**

Currently, investments of £5.3m are slightly lower than the Fire Authority's outstanding borrowing of £5.6m.

## **8 Balance Sheet Items**

### **Cash and Investments**

Cash flows into and out of the Authority's bank accounts are recorded by Finance officers, and are monitored by Finance, and by Treasury Services to assist the investments process.

Cash flow monitoring carried out in September projected a balance available for investment of £5.6m; the actual balance was £5.4m. This difference was due to a quarterly VAT reimbursement not being received until October.

### **Debtors**

In terms of amounts owed to the Authority, a balance of around £50,000 remained outstanding at the end of September. A large proportion of this total was made up of recharges for the Regional Management Board and New Dimensions, which have been paid in October. A balance of £3,600 remains unpaid after 90 days.

Each amount owed is actively chased, and balances that have become problematic are reviewed by the Treasurer and the Principal Accountant, to determine the most reasonable course of action.

At the present time, a number of outstanding accounts have been forwarded to Legal Services at Telford & Wrekin Council, following non payment despite several reminders.

## **9 Financial Implications**

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

## **10 Legal Comment**

There are no direct legal implications arising from this report.

## **11 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.

## 12 Appendix

Shropshire and Wrekin Fire Authority Capital Programme 2008/09

## 13 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	*

**Appendix** to report on  
Financial Performance to September 2008  
Shropshire and Wrekin Fire Authority  
Strategy and Resources Committee  
13 November 2008

Shropshire and Wrekin Fire Authority  
Capital Programme 2008/09

Schemes	Balance bfwd £	Spend to 30/09/08 £	Balance £	Total Budget 2008/09 £	Amended Total Budget £	Spend to 30/09/08 £	Committed £	Balance £	Progress to date
<b><u>Schemes started 2007/08 and prior</u></b>									
<i>Land and Buildings</i>									
Accommodation for Pumping Unit	74,998	74,998	0					0	Budget now spent
Building Improvements	18,202	18,202	0					0	Budget now spent
Garaging Ford Ranger	20,000	2,171	17,829					17,829	
Telford Station Improvements	40,000		40,000					40,000	
Lecture Room Improvements	60,000		60,000					60,000	
Fire Alarm Installations	30,000		30,000					30,000	
Training Improvements	92,000	6,755	85,245					85,245	
Shrewsbury Improvements		1,122	-1,122					-1,122	Spend on Sbury - balance of budget moved to 'contingency'
<i>Vehicles and Equipment</i>									
E Technology	0	2,940	-2,940					-2,940	
Appliances	446,112	423,312	22,800					22,800	
RTC Equipment for Ranger	26,633		26,633					26,633	
Digitisation of Files	1,000		1,000					1,000	
Boat	21,189	1,080	20,109					20,109	Purchase of trailer
Asset Tracking System	38,677	31,184	7,493					7,493	
Fireground Radios	19,452	18,909	543					543	
Management Information System	6,724		6,724					6,724	
<b><u>Schemes started 2008/09</u></b>									
<i>Land and Buildings</i>									
Building Improvements				65,000		65,000		0	Further spend on Craven Arms
Training Facilities				30,000				30,000	
<i>Vehicles and Equipment</i>									
Appliance Replacement				740,000				740,000	
Small Fires Unit				100,000				100,000	
RDS Availability System				25,000				25,000	
Temperature Monitoring System - Training				15,000		6,052		8,948	
*Unallocated borrowing approval				5,000				5,000	
<b>Total</b>	<b>894,987</b>	<b>580,673</b>	<b>314,314</b>	<b>980,000</b>	<b>0</b>	<b>71,052</b>	<b>0</b>	<b>908,948</b>	