

Financial Performance to September 2009

Report of the Treasurer

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1 Purpose of Report

This report provides information on the financial performance of the Service, and seeks approval for action, where necessary.

2 Recommendations

The Committee is asked to recommend that the Fire Authority:

- a) Note the position of the revenue budget;
- b) Approve £106,000 virements to the revenue budget, where requested;
- c) Note the position on the capital programme;
- d) Approve the latest position for prudential indicators for 2009/10;
- e) Note the performance against prudential indicators for 2008/09;
- f) Note performance in Treasury Management to date in 2009/10; and
- g) Note the information provided on balance sheet items.

3 Background

This report comprises a review of financial performance to date for 2009/10, and encompasses the monitoring of revenue budgets and capital schemes, the review of treasury management activities, including prudential indicators, and the monitoring of other balances held within the Authority's accounts.

4 Revenue Budget

Monitoring has continued on the revenue budgets and capital programme for 2009/10, and exceptional variances to September can now be reported.

	(Over) / Under spend £'000
Executive	
Interest on Investments – further losses are anticipated due to the current economic climate	(22)
Debt Charges – savings have been made in this area, as capital schemes have slipped, and borrowing has been postponed due to poor return on cash investments	70
Service Delivery	
District – Watches – savings have been identified in overtime budgets	30
Prevention – further vacancy savings have occurred in this area of the budget	18
Strategy and Performance Programme Office and Information Technology – net vacancy savings have been identified in these two areas	10
Total	106

It is proposed that variances will be transferred to individual contingencies, or into specific reserves, where mentioned above. The current position on these contingencies is shown at Appendix A.

Vacancy Management

A total of £150,000 has been taken out of the budget over the last two years, which reflects the savings that can 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.

	Identified to date £'000	Target savings £'000
Executive	6	6
Service Delivery	40	122
Strategy and Performance	8	8
Human Resources and Development	8	10
Resources	4	4
Total	66	150

5 Capital Programme

Appendix B to the report provides an overview of the capital schemes currently in progress, and the expenditure on each scheme to the end of October. The schedule reflects the changes that were approved by the Fire Authority in October. There is a possibility that spending on the St Michaels Street scheme will slip. However, monitoring indicates that capital payments in the programme as a whole will match the capital grant.

6 Reserves and Provisions

The Fire Authority's position on reserves and provisions is as follows:

	£'000
<p>General Reserve A risk assessment of the pressures likely to face the Fire Authority has been undertaken, and the current balance of the General Reserve represents these identified risks, in proportion to the probability of their occurrence. This reserve will be funded by budgeted contributions plus net revenue savings as appropriate. A proportion of the Reserve, which relates to the Retained Firefighters and Part Time Workers Regulations tribunal has been transferred to the Pensions and Other Staff Issues Reserve.</p>	510
<p>Efficiency Reserve This reserve was set up specifically to invest in efficiencies; a proportion of this reserve has been used in 2008/09 to begin consultancy work on the project to refurbish the headquarters, workshop and fire station at Shrewsbury.</p>	60
<p>Retained Firefighters Service Review Reserve The timing of expenditure on the Retained Implementation Plan was reviewed in 2006/07, and funds available at the end of 2006/07 were transferred to this reserve. Half of the reserve was released in 2008/09, with the remainder has been released in 2009/10.</p>	-

<p>Pensions and Other Staff Issues Reserve (previously the Pensions Liabilities Reserve)</p> <p>Set up as a result of the introduction of the new firefighters' pension scheme on 1 April 2006, the original reserve was required to pay for unexpected sickness retirements and other payments, which remain the responsibility of the Fire Authority's revenue account. In 2008/09, this reserve has been expanded to cover other staff matters. The proportion of the General Reserve set aside for the Retained Firefighters and Part Time Regulations tribunal has now been transferred to this reserve.</p>	761
<p>Equipment Replacement Provision</p> <p>This provision is designed to smooth expenditure on operational equipment currently charged to the revenue account. A detailed equipment replacement programme will establish contributions into the provision, and will eventually lead to successful replacement planning in the medium term.</p>	71
<p>Extreme Weather Reserve</p> <p>Costs for incidents attended by retained firefighters have now been budgeted for at average levels in the revenue account; this reserve will cover the costs of increased activity incurred as a result of adverse weather conditions.</p>	295
<p>Capital Reserve – Capital Projects (previously the Capital Reserve)</p> <p>A capital reserve was established using remaining unspent balances from the revenue account in 2005/06. This reserve will be used to fund small capital projects, reducing the need to borrow, and a contribution will be made to the reserve from the revenue account in lieu of capital financing costs.</p>	404
<p>Capital Reserve – Headquarters (previously the Capital Reserve)</p> <p>For ease of reporting, the element of the Capital Reserve which is to part fund the Authority's new headquarters project has now been separated from the other capital projects element. Underspends from 2008/09 have now been allocated to this reserve.</p>	1,497
<p>General Fund</p> <p>Balances held in the General Fund at the end of the year have now been allocated, to reserves and to current year budgets. There is a small balance of £53,000 remaining; its use is to be determined.</p>	53

7 2008/09 Actual Prudential Indicators

In line with CIPFA's 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 legislation requires that actual indicators are produced at the year end and those for 2008/09 are, therefore, set out below.

a) Capital Expenditure

The actual capital expenditure for 2008/09 is £1,421,000.

	2007/08 Actual £000	2008/09 Budget £000	2008/09 Actual £000
Payments	1,198	1,025	1,421
Funding - Borrowing	799	745	1,087
- Grant	57	0	8
- Fund	295	280	159
- Leasing (financing)	47	0	167

b) Ratio of Financing Costs to Net Revenue Stream

The actual ratio of financing costs to net revenue stream is 1.45%.

	2007/08 Actual £000	2008/09 Budget £000	2008/09 Actual £000
	1.0%	2.2%	1.45%

The impact of the capital investment decisions in the present capital programme were estimated at 1.12 pence, before taking into account the notional proportion of general grant said to support capital investment.

c) Capital Financing Requirement

The actual capital financing requirement as at 31 March 2009 is £6,331,000.

	2008/09 Budget £000	2008/09 Actual £000
	6,217	6,331

The capital financing requirement is well within the predicted level as a result of slippage of schemes into 2009/10, as previously reported.

d) Net Borrowing

Net borrowing at 31 March 2009 was £1.005m, i.e. well within the guideline. Gross borrowing, i.e. before investments and cash, was £5.810m, however this was offset by short-term lending of £4.905m.

e) Actual External Debt

Actual external debt at 31 March 2009 was £1.005m plus other long-term liabilities at 31 March 2009 of £167k (finance leases). Although a prudential indicator, this represents the actual position on a single day, and, therefore, cannot be compared directly with the authorised limit or operational boundary. The level of external borrowing was, however, within both the Operational Boundary of £5,810,000 and the Authorised Limit of £6,331,000.

f) Treasury Management Indicators

- An upper limit of 100% of external debt can be borrowed at fixed interest rates. All of the Fire Authority's external debt is at fixed rates. All of this debt is also arranged for longer than 10 years, which is again in accordance with the Prudential Indicator.
- No money has been invested for more than 364 days.
- At the 31 March 2009, all funds were invested at fixed rates.

8 Prudential Indicators 2009/10

The Fire Authority has established that it will receive quarterly monitoring reports during the year; the position to the end of October is shown below.

Authorised Limit for External Debt (£10,750,000)

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 £6.140m, i.e. well within the indicator. No temporary borrowing has been necessary.

Operational Boundary for Borrowing (£6,529,000)

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 £5.810m, the Boundary is well within the set indicator; the Fire Authority has yet to borrow £200,000 of its requirement for 2008/09, as well as the requirement for 2009/10.

Capital Financing Requirement (£7,250,000)

This is the amount required by the Authority to fund its capital investment, and the actual balance for the year will increase as schemes are completed.

As the Authority still has a number of schemes to pay for within its capital programme, the Capital Financing Requirement, at £6.140m, is well within its indicator.

Net Investments

Currently, investments of £6.8m exceed the Fire Authority's outstanding borrowing of £5.810m.

9 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 projections established at the start of the year estimated a cash balance available for investment at the end of September of £5.43m; the actual balance was £5.14m. During September, the Authority paid out further commutations from the Firefighters Pension Scheme of around £220,000.

Debtors

In terms of amounts owed to the Authority, a balance of only £2,300 remains outstanding for more than 90 days; this includes a problematic account of £1,400, which is being pursued through Legal Services at Telford & Wrekin Council.

10 Treasury Management Review 2009/10

At its meeting in May 2009, the Committee noted an update of the Fire Authority's current investment strategy by the Treasurer. The Committee will be provided with a quarterly update on the current position of the Authority's investments and any strategy updates, which have occurred; this is the second of those reviews for 2009/10.

At the end of October 2009, the Fire Authority had invested funds totalling £6.8m. The funds were invested as follows:

Debt Management Office	£1.3m
Abbey	£2.00m
Lloyds	£0.5m
Nationwide	£1.0m
Clydesdale	£2.0m

Following the last meeting of the Committee in September, advice has been sought from Treasury Services regarding the rescheduling of the Fire Authority's outstanding loans.

The Authority has a relatively small amount of debt, at rates of around 4.25 to 4.5%, and, if debts were to be rescheduled now, current borrowing would attract a higher rate of interest. In addition, the Public Works Loan Board imposed a higher rate of premium for rescheduling for local authorities in November 2007. Therefore, the opportunities for savings are not currently available to the Authority.

Treasury Services will continue to monitor the Authority's debt portfolio, and will advise officers as and when opportunities for savings may arise.

11 Legal Comment

There are no direct legal implications arising from this report.

12 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.

13 Appendices

Appendix A
Revenue Account Summary

Appendix B
Capital Monitoring Schedule

14 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	*



Shropshire Fire & Rescue Service EQIA number Initial Equality Impact Assessment Form

Directorate		Department/ Section	
Name of officer		Job title	
Name of Policy/Service to be assessed		Date of assessment	
New or existing policy	N / E		

1. Briefly describe the aims, objectives and purpose of the policy/service			
2. Are there any associated objectives of the policy/service?			
3. Who is intended to benefit from the policy/service and in what way?			
4. What outcomes are wanted from this policy/service?			
5. Who are the main stakeholders in relation to the policy/service?			
6. Who implements the policy/service and who is responsible for this?			
7. Are there any concerns that this policy/service could have a differential impact on the following groups and what existing evidence do you have for this? Yes or No, please detail in boxes below.			
8. Age	Y	N	
9. Disability	Y	N	
10. Gender	Y	N	

11. Race	Y	N	
12. Religion or belief	Y	N	
13. Sexual orientation	Y	N	
14. Dependant/caring responsibilities	Y	N	
15. Could the differential impact identified in 7-14 amount to there being the potential for adverse impact in this policy/service?	Y	N	Please detail
16. Can this adverse impact be justified on the grounds of promoting equality of opportunity for one group or another reason?	Y	N	Please explain for each, equality heading on a separate piece of paper.
17. Have you consulted those who are likely to be affected by the policy/service?	Y	N	List those groups/individuals that have been consulted.
18. Should the policy proceed to a full impact assessment?	Y	N	Please detail
19. Date by which full impact assessment to be completed			
20. Reason for non completion			

I am satisfied that this policy has been successfully impact assessed.

I understand the Impact Assessment of this policy is a statutory obligation and that, as owners of this policy, we take responsibility for the completion and quality of this process.

Signed: (Assessing person)		Date:	
Signed: (Line Manager)		Date:	

Please note that this impact assessment will be scrutinised by the E&D Officer

