

Financial Performance to November 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 virements to the revenue budget, where requested;
- c) Note the position on the capital programme;
- d) Approve the capital scheme for workshops equipment;
- e) Approve the creation of a Revenue Reserve for the Headquarters Project;
- f) Note performance against prudential indicators;
- g) Note performance in Treasury Management to date in 2009/10;
- h) Note the information provided on balance sheet items; and
- i) Approve the write off of a problematic debt owed to the Fire Authority.

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 November can now be reported.

	(Over) / Under spend £'000
<i>Executive</i>	
Pay – some pay savings have been accrued in the Executive area, it is proposed that some of this is will be used to improve current manual payment systems.	26
<i>Service Delivery</i>	
District – Watches – spend on watches has been projected to the end of the year and a saving is anticipated.	60
Retained Duty System – variances are anticipated in several areas of this budget:	
Retaining Fee	40
Turnouts	50
Attendance	13
Pension Scheme Contributions	(20)
In addition, some special projects have been undertaken on hydrants in rural areas, it is proposed that this is funded from savings in retained budgets.	(40)
Retained Development – the pilot scheme for these officers commenced in June, resulting in an underspend for the year as a whole.	19
Prevention – Vulnerable Persons Advocates – activity levels in this area are lower than originally anticipated.	25
Prevention – efficiency savings have been realised following the conversion of an uniformed post to non uniformed.	17
<i>Strategy and Performance</i>	
Risk – an additional officer in the Geographical Intelligence Unit has resulted in further overspends – this secondment has now ended.	(10)
Radio Contract - savings have accrued following the commencement of peppercorn rentals in the Service's radio contract	34

	(Over) / Under spend £'000
<p>Mobilising Equipment - savings have accrued following the cessation of the Service's mobilising system maintenance contract.</p> <p>It is proposed that the savings on radio and mobilising equipment are retained for use on the new command and control system, and associated equipment.</p> <p>Resources</p> <p>Fleet Management - savings have accrued from a vacancy within this area.</p> <p>Human Resources and Development</p> <p>Training expenses – continued spending at current levels will result in an overspend</p> <p>HR Consultancy – there has been no expenditure to date on outcomes following the Stress Audit.</p>	<p>30</p> <p>21</p> <p>(35)</p> <p>20</p>
Total	250

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 1.

Pay and Price Contingency – the contingencies continue to be monitored, and it is evident that a further £100,000 may be unspent at the end of the financial year.

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	115	122
Strategy and Performance	8	8
Human Resources and Development	10	10
Resources	4	4
Total	143	150

5 Capital Programme

Appendix 2 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 December.

Headquarters Project - Funding

The project at St Michael's Street, which was to be completed over two financial years, was approved by the Fire Authority in February 2009. Expenditure on the project was estimated to occur as follows:

2009/10	£900,000
2010/11	£3,090,000
Total	£3,990,000

Preliminary work on the initial stage of the project is underway, and expenditure is now likely to occur as follows:

2009/10	£107,000
2010/11	£3,368,500
2011/12	£514,500
Total	£3,990,000

Headquarters Project – New Capital Scheme

Following commencement of the Temporary Working Arrangements work stream, it has been identified that vehicle ramps and benches will be required in the temporary workshop at the TA Centre in Sundorne. The cost of this equipment is £40,000.

This equipment has not been budgeted for within the project, and therefore Members are requested to recommend that a new capital scheme is approved for the purchase of the equipment, to be funded from the Earmarked Capital Reserve. Contributions of £5,000 will be made back into the reserve for the equipment's future replacement.

The equipment will be transferred into the workshop at St Michael's Street, once building is completed.

6 Reserves and Provisions

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

General Reserve

The General Reserve is held to meet those risks, which are known to the Authority, but whose value and likelihood are uncertain. An anticipated cost is allocated to each risk, and this is reduced according to the probability of its occurring. This has resulted this year in a General Reserve of £525,000, which includes an inflation proofing adjustment. Each year, the risks facing the Authority, and their probability, will be reviewed, and the reserve will continue to be repriced for inflation.

Efficiency Reserve

This reserve was originally set up to invest in efficiencies; the balance will now be used during the construction of the new Headquarters, workshop and fire station.

Retained Firefighters Service Review Reserve

This reserve was designed to smooth expenditure relating to the Retained Service Implementation Plan into the revenue account. The reserve will have a nil balance at the end of 2009/10.

Pensions and Other Staff Issues Reserve

Set up as a result of the introduction of the new firefighters' pension scheme on 1 April 2006, the original reserve was set up 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, including the Retained Firefighters and Part Time Workers Regulations tribunal. It is not expected that progress will be made on the tribunal issue this year, and therefore the reserve will be maintained at £784,000, following an adjustment for inflation.

Extreme Weather Reserve

This reserve will cover costs of increased operational activity, over and above budgeted levels in the revenue account. Recent experience indicates that levels of activity have continued to drop; it was decided that the revenue budget would be reduced, while the level of this reserve would be maintained, at £295,000.

Capital Reserve – Earmarked

The reserve was set up in 2006 to fund small projects, thereby reducing the need to borrow over periods up to 50 years. A contribution is then made back to the reserve from the revenue account in lieu of capital financing costs. Future contributions and withdrawals should result in the reserve being self financing, however it is anticipated that a temporary contribution of around £120,000 may be required in 2010/11 to prevent the fund going overdrawn.

Capital Reserve - Unearmarked

The objective of the unearmarked capital reserve is to build up funding from revenue savings that can then be used to maximise revenue funding of the Headquarters capital scheme. This will minimise borrowing and, therefore, committed debt charges in future years.

A total of £1,219,000 is to be spent from this reserve over the next two years as part of the Headquarters project. Of this total, £175,000 is revenue expenditure on Temporary Working Arrangements. It is proposed that this money is removed from the Unearmarked Capital Reserve, and a Revenue Reserve is created.

Currently the position is expected to be as follows:

	£'000
Balance at 1 April 2009	1,497
Agreed contribution 2009/10	58
Budget surplus	193
Balance from General Fund	38
Contribution to Unearmarked Capital Reserve	(120)
Revenue expenditure – HQ Project	(175)
Total	<u>1,491</u>

General Fund

There is currently a nil balance on the General Fund, the remaining balance having been transferred to the Unearmarked Capital Reserve. Members have already approved transfers to individual contingencies of £281,000 during this year, plus a surplus in the Pay Contingency of £200,000. Underspends on this report total £250,000.

Under current policy, should these balances remain unspent at the end of the year, the total of £731,000 would be transferred to the Unearmarked Capital Reserve.

7 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 December is shown below.

- **Authorised Limit for External Debt (£9,627,000)**

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 £6.836m, 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 £6.836, is well within its indicator.

- **Net Investments**

Currently, investments of £6.9m exceed the Fire Authority's outstanding borrowing of £5.810m.

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 projections established at the start of the year estimated a cash balance available for investment at the end of December of £5.8m; the actual balance was £5.2m. This difference was made up of pension commutations of £230,000, capital payments on appliances of £760,000 netted off with additional income and grant of £400,000.

Debtors

In terms of amounts owed to the Authority, a balance of £3,200 remains outstanding for more than 90 days.

Finance staff have been pursuing a salary overpayment of £1,380 and the debt has subsequently been referred to Legal Services. Following correspondence with the individual, and receipt of a statement detailing income and expenditure, it is unlikely that a suitable conclusion will be reached without further expenditure and administration.

Financial regulations state that a debt over £1,000 cannot be written off without approval from the Fire Authority. Therefore Members are requested to approve the write off of this debt in full.

9 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 third of those reviews for 2009/10.

At the end of December 2009, the Fire Authority had invested funds totalling £7,22m. The funds were invested as follows:

Debt Management Office	£2.32m
Abbey	£2.0m
Nationwide	£1.0m
Clydesdale	£1.9m

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 Appendices

Appendix 1

Revenue Account Summary

Appendix 2

Capital Monitoring Schedule

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	*

Directorate	Budget	Spend	Committed	Balance	% Spent
Executive					
Pay					
Executive	622,575	387,115	0	235,460	62%
Other					
Executive	69,525	36,611	800	32,114	54%
Members	82,695	56,091	0	26,604	68%
Insurance and Legal	406,411	383,991	406	22,014	95%
Income	-430,120	-246,516	0	-183,604	57%
Financial Services and Leasing	584,061	-163,517	0	747,578	-28%
Pensions	368,620	130,457	0	238,163	35%
Contingency	83,000			83,000	
Total Budget	1,786,767	584,232	1,206	1,201,329	
Service Delivery					
Pay					
District Performance	9,892,651	6,280,196	0	3,612,455	63%
Operations	359,263	228,020	0	131,243	63%
Prevention	1,163,143	704,083	0	459,060	61%
Control	657,761	436,200	0	221,561	66%
Control Convergence	257,705	226,177		31,528	
Other					
Community Fire Safety	215,260	105,610	30,424	79,227	63%
Fire Control Convergence	103,640	2,675	0	100,965	0%
Retained Recruitment	5,000	1,691	0	3,309	34%
Contingency	121,563			121,563	
Total Budget	12,775,986	7,984,652	30,424	4,760,911	
Human Resources and Development					
Pay					
Training and Development and HR	1,092,868	716,525	0	376,343	66%
Other					
Occ Health, Pensions and HR	200,970	109,434	0	91,536	54%
Training and Development	525,834	283,050	0	242,784	54%
Equality and Diversity	35,650	8,046	0	27,604	23%
New Dimension	-41,184	-4,857	0	-36,327	12%
Contingency	0				
Total Budget	1,814,138	1,112,198	0	701,940	
Strategy and Performance					
Pay					
Pay - Strategy and Performance	868,173	579,010	0	289,163	67%
Other					
Performance Improvement	43,805	18,149	4,093	21,563	51%
Headquarters	40,000	0	0	40,000	0%
Communications	270,957	146,612	23,675	100,670	63%
Information Management	215,870	87,498	82,981	45,391	79%
Management of Risk	79,953	66,429	855	12,669	84%
Radio	263,460	-18,525	0	281,985	-7%
Regional Management Board	13,432	12,676	0	756	
Secondment Programme	0	-46,460	505	45,955	
Contingency	-22,000			-22,000	
Total Budget	1,773,650	845,389	112,109	816,152	54%

Directorate	Budget	Spend	Committed	Balance	% Spent
Resources					
Pay					
Pay - Resources	450,516	287,908	0	162,608	64%
Other					
Facilities	925,832	568,829	31,514	325,489	65%
Hydrants	167,881	96,116	0	71,765	57%
Equipment and Uniform	399,745	277,302	38,847	83,597	79%
Fleet Management	537,402	359,062	111,055	67,285	87%
Workshops	-127,264	-85,057	5,549	-47,756	62%
Pay budget	450,516	287,908	0	162,608	64%
Contingency	0				
Total Budget	2,804,628	1,792,068	186,964	825,596	
Pay and Prices Contingency	341,766	0	0	341,766	0%
Non Pay Budgets	5,481,764	2,185,397	330,702	2,965,665	46%
Pay Budgets	15,364,655	9,845,234	0	5,519,421	64%
Total	20,846,419	12,030,631	330,702	8,485,086	59%