

Financial Performance to June 2008

Report of the Treasurer

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 necessary 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 the position on the capital programme
- d) Approve changes to the schemes contained within the capital programme
- e) Note performance against prudential indicators
- f) Note the information provided on balance sheet items, and
- g) Note the key financial indicators to be considered by Audit and Performance Management Committee

3 Background

At the Fire Authority meeting held on 30 April 2008, the Treasurer detailed ways in which the monitoring of financial performance was to be improved. These improvements encompassed the monitoring of revenue budgets and capital schemes, and the review of prudential indicators, and included the monitoring of other balances held within the Authority's accounts. In addition, key financial health indicators would be introduced, to ensure that the financial services being provided to the Authority were efficient and effective.

This is the first review of financial performance to date for 2008/09.

4 Revenue Budget

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

	(Over) / Underspend £'000
Executive	
Audit Fees - As reported to CFA on 30 April 2008, Audit Commission fees are lower than originally budgeted, following consultation	10
Leasing – reclassification of leases and lower than anticipated rentals have resulted in an underspend.	80
Service Delivery	
Retained Duty System - spending at current establishment and activity has resulted in an underspend to date in the following areas:	
Retaining Fee	20
Turnout	30
Additional Hours	30
Source of potential efficiency – see separate report	
Control – costs of the Convergence Manager and current levels of control operators are in excess of budgeted levels	20
Human Resources and Development	
Equality & Diversity assistant post has not yet been filled, resulting in an underspend	5
As reported to CFA on 30 April 2008, technical support work being carried out in HR will require additional funding	(15)
Total	140

It is proposed that variances will be transferred to individual contingencies, with the exception of retained duty savings, which will be diverted to Retained Community Fire Safety.

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.

	Identified to date £'000	Target savings £'000
Executive	0	4
Service Delivery	13	81
Strategy & Performance	0	5
Human Resources & Development	7	7
Resources	0	3
Total	20	100

5 Capital Programme

Appendix A to the report provides an overview of the capital schemes within the Brigade, and their current status.

Although work has yet to begin on the programme approved in 2008/09, a total of £166,000 has been spent on schemes which began in 2007/08 and prior. Regular reports will be brought to Strategy and Resources Committee which detail progress being made on the capital programme, and also expenditure to date compared with budget.

The schemes which were approved prior to 2008/09, and are not yet complete, and also those which were approved for 2008/09, 2009/10 and 2010/11, have been reviewed by executive officers. As part of this review, consideration was given to the removal of a number of items:

Shrewsbury Improvements (started prior to 2007/08) - £89k

This scheme will not continue in its present form; however it is proposed that the borrowing approval for the balance of the scheme is retained and held as a contingency for future use, should work need to be done at Shrewsbury.

Control Link - £10k
Station End Equipment - £25k
IT Equipment Room Relocation – £75k

These schemes were added to the 2008/09 capital programme during budget setting for 2007/08, and at the time were considered necessary to progress with Control and ICT projects. It is now apparent that these schemes are not required in their current form, and so again it is proposed that they are cancelled and the borrowing approval retained for future use. In the meantime, savings on financing charges would be transferred from the budget into balances.

Schemes for Replacement of Appliances

It has become evident that the schemes within the programme for the replacement of appliances will not be sufficient to cover anticipated costs, due to inflationary pressures.

Members are asked to increase the scheme value for each appliance from £170,000 to £185,000, to ensure that appliances are delivered within budget. This involves 7 appliances and will cost an additional £13,000 per year in debt charges. This increase can be achieved by utilising some of the savings identified above from the cancellation of the ICT schemes.

6 Reserves and Provisions

Balances held on reserves and provisions currently held are as follows:

- **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 (£197,000)**
Investment in the retained reserve was slipped from 2007/08 into this year – this reserve will smooth out fluctuations in precept.
- **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 (£1,162,000)**
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.

7 Prudential Indicators

In line with Chartered Institute of Public Finance and Accountancy'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 Fire Authority has established that it will receive quarterly monitoring reports during the year, of which this is the first for 2008/09.

- **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 £5,836m, 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 £5.6m, the Boundary is well within the set indicator, as the Fire Authority has not yet borrowed any funds for its 2008/09 capital programme.

- **Capital Financing Requirement (£5,836,000)**

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.

Again, as the Authority has yet to borrow for its capital programme, the Capital Financing Requirement, at £5.836m, is well within its indicator.

- **Net Borrowing**

Currently, outstanding borrowing of £5.6m exceeds the Fire Authority's investments (£5.0m) by £600,000.

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 June projected a balance available for investment of £5.4m; the actual balance was £5.0m. This difference was due to the renewal of insurance premiums and also additional commutations being paid to retired firefighters.

Debtors

Balances held at the end of the year for VAT payments owed and other payments made in advance have now been cleared. In terms of amounts owed to the Authority, a balance of around £7,000 remains outstanding, and only £2,700 of this 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.

9 Financial Key Health Indicators

Following recommendation by the Audit Commission, some indicators have been formalised which demonstrate how the processes and procedures carried out by the Finance Department contribute to the strategic aims of the Authority. The indicators show how key financial systems are monitored and reconciled, and this in turn places reliance on the monitoring information and statutory documents produced by the department.

A schedule is attached at Appendix B, and will be considered by the Audit and Performance Management Committee in September 2008.

10 Financial Implications

The financial implications are as outlined in the report.

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.

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14 Appendices

Appendix A Review of Capital Schemes

Appendix B Key Financial Health Indicators 2008/09

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	*

Capital Schemes

Schemes carried over into 08/09 (Schemes highlighted are underway)

Capital Schemes Managed using Prince2

Gantt ID	Name of Scheme	Amount outstanding at end 07/08	Department	SRO and PM Or Point of Contact	PID to be developed by when?	What is the Scheme End Date?	Post Project Review(date)
3	Asset Tracking System	£39k	Tech Services	Alan Taylor David Groucott	12/03/08	January 2009	Y – date tbc
4	Performance Management	£7k					
	4a Resourcelink	£7k	Performance Dept	Louise McKenzie Louise Goodhead	28/03/07	August 2008	Y – date tbc
	4b Track	£0k	Performance Dept	Alison Pritchard Steve Worrall	tbc	Tbc	Y – date tbc
5	Digitisation of Files	£1k	CFS	Paul Raymond Louise Goodhead	24/10/07	June 2008	Y – Andy Perry plus one from HR
6	Telford Station Improvements	£60k	Tech Services	Paul Raymond Jon Wagstaff (Kev Faulkner)	Beg of July 08		Y - tbc

Other Capital Schemes

Gantt ID	Name of Scheme	Amount outstanding at end 07/08	Department	SRO and PM Or Point of Contact	PID to be developed by when?	What is the Scheme End Date?	Post Project Review(date)
8	Accommodation for Pumping Unit (Craven Arms)	£75k	Tech Services	Paul Raymond Andrew Kelcey	Na	Work due to finish July 08	Y – following relocation of Pumping unit
9	Building Improvements	£18k	Tech Services	Na	Na	Building Programme	Y – following completion of Craven Arms

Gantt ID	Name of Scheme	Amount outstanding at end 07/08	Department	SRO and PM Or Point of Contact	PID to be developed by when?	What is the Scheme End Date?	Post Project Review(date)
10	Appliance Replacement	£401k	Fleet	Na	Na	Fleet replacement programme	Y – Sept 08
11	Boat and Vehicle	£21k	Service Delivery	Martin Timmis Martin Hoole	Na	Clarify progress of Output spec with MT	N
12	Training Improvements	£92.1k	Training	Andrew Kelcey Louise McKenzie	Na	First drill tower due to be completed Sept 08	Y – following completion of first drill tower
13	RTC Equipment for Ford Rangers	£27k	Service Delivery	Martin Timmis	Na		Y – Sept/Oct 08
14	Fire Alarm Installation	£30k	Tech Services	Andrew Kelcey		4 Months TC & WL	N
15	Telford Lecture Room	£40k	Tech Services	Andrew Kelcey Phil Clarke		To be delivered by end of financial year	N
16	Shrewsbury Improvements	£89k	Tech Services	Andrew Kelcey	Recommendation to remove scheme		

Capital Programme (Next three years)

Schemes in 2008/09

Capital Schemes Managed using Prince2 (Schemes highlighted are underway)

Gantt ID	Name of Scheme	Amount	Department	SRO and PM Or Point of Contact	PID to be developed by when?	What is the Scheme End Date?	Post Project Review(date)
19	Temperature Monitoring System	£15k	Training	Louise McKenzie Shaun Baker	07/05/08	September 2008	Y – October 08 H+S Check
20	L4Ps (Small Fires Unit)	£100k	Service Delivery	Cllr Jean Jones Dave Bishton	June08?	October 2008	Y – following implement- ation project
21	Retained Duty System	£25k	Service Delivery	Paul Raymond Jon Wagstaff	tbc		Y - date tbc

Other Capital Schemes

Gantt ID	Name of Scheme	Amount	Department	SRO and PM Or Point of Contact	PID to be developed by when?	What is the Scheme End Date?	Post Project Review(date)
23	Training Facilities	£30k	Training	Andrew Kelcey Louise McKenzie	Na	First drill tower due to be completed Sept 08	Y – following completion of first drill tower
24	Control Link	£10k	IT	Steve Worrall	Recommendation to remove scheme		
25	Station End Equipment	£25k	IT	Steve Worrall	Recommendation to remove scheme		
26	IT Comms relocation	£75k	IT	Steve Worrall	Recommendation to remove scheme		
27	Building Improvements	£65k	Tech Services	Andrew Kelcey	Na	Building Programme	Y – following completion of Craven Arms
28	Appliance Replacement	£680k	Fleet	Na	Na	Fleet replace- ment programme	Y – date tbc

Schemes in 2009/10

Capital Schemes Managed using Prince2 (Schemes highlighted are underway)

Gantt ID	Name of Scheme	Amount	Department	SRO and PM Or Point of Contact	PID to be developed by when?	What is the Scheme End Date?	Post Project Review(date)
31	Retained Duty System	£25k	Service Delivery	Paul Raymond Jon Wagstaff	tbc		Y – date tbc
32	Role Model Server (moodle)	£5k	HR	Andy Griffiths	tbc		tbc
33	Document Management (Intranet)	£45k	PID	Steve Worrall Helen Jones	tbc		tbc
34	Scanning for all files (Document Storage)	£60k	PID	Steve Worrall Helen Jones	tbc		tbc
35	Shrewsbury Project (IRMP)	£900k (work shops move)	Project Team	Project Manager to be appointed		Project team to be set up in 08/09	Y – date tbc

Other Capital Schemes

Gantt ID	Name of Scheme	Amount	Department	SRO and PM Or Point of Contact	PID to be developed by when?	What is the Scheme End Date?	Post Project Review(date)
37	Training Facilities	£30k	Training	Andrew Kelcey Louise McKenzie	Na	First drill tower due to be completed Sept 08	Y – following completion of first drill tower
38	L4Ps (Small fires unit)	£100k	Service Delivery	Dependent upon post project review of Small Fires Unit in 08/09			
39	Station End Equipment	£25k	IT	Steve Worrall			
40	Building Improvements	£105k	Tech Services	Andrew Kelcey	Na		N
41	Fire Kit Replacement	£250k	Tech Services	Andrew Kelcey	Na		Y – date tbc

Gantt ID	Name of Scheme	Amount	Department	SRO and PM Or Point of Contact	PID to be developed by when?	What is the Scheme End Date?	Post Project Review(date)
42	Crucial Crew Venue	£150k	Service Delivery	Dependent on partners/may be used as a contingency fund for WL			
43	Light Pumping Unit	£250k	Service Delivery	Andrew Kelcey Martin Timmis	To be brought forward to 08/09	MT to develop a Business Case	Y – date tbc
44	Appliance Replacement	£340k	Fleet	Na	Na	Fleet replacement programme	N

Schemes in 2010/11

Capital Schemes Managed using Prince2 (Schemes highlighted are underway)

Gantt ID	Name of Scheme	Amount	Department	SRO and PM Or Point of Contact	PID to be developed by when?	What is the Scheme End Date?	Post Project Review(date)
46	Shrewsbury Project (IRMP)	£2600k (rebuild of HQ)	Project Team	Project Manager to be appointed		Project team to be set up in 08/09	Y – date tbc

Other Capital Schemes

Gantt ID	Name of Scheme	Amount	Department	SRO and PM Or Point of Contact	PID to be developed by when?	What is the Scheme End Date?	Post Project Review(date)
48	Training Facilities	£30k	Training	Andrew Kelcey Louise McKenzie	Na	First drill tower due to be completed Sept 08	Y – following completion of first drill tower
49	Appliance Replacement	£170k	Fleet	Na	Na	Fleet replacement programme	
50	Building Improvements	£65k	Tech Services	Andrew Kelcey	Na		N
51	L4Ps (Small Fires Unit)	£100k	Service Delivery	Dependent upon post project review of Small Fires Unit in 08/09			
52	Fire Kit Replacement	£250k	Tech Services	To be developed			
53	Gas Tight Suits	£34k	Tech Services	To be developed			
54	BA Sets	£50k	Tech Services	To be developed			

**Finance Department
Key Financial Health Indicators 2008/09**

Indicator	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Key financial ledgers reconciled by end of following period:												
Sales ledger	13 May	9 Jun										
Purchase ledger	21 May	4 Jun										
Cash & Bank	12 May	6 Jun										
Budget monitoring reports produced, reconciled to ledger and issued to budget holders, within 10 working days of period end	11 Jun	11 Jun										
Salaries monitoring reports produced, reconciled to ledger and issued to budget holders, within 14 working days of period end	11 Jun	11 Jun										
Revenue budget performance reported to Policy Group, by end of following period	18 Jun	18 Jun										
Capital spend reported to Policy Group, by end of following period	18 Jun	18 Jun										

Indicator	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
BVPI 8 - percentage of invoices paid within 30 days Target for year 98.5%	99.7%	98.7%										
Percentage of payments made by BACS	N/A	94%										
Budget book to be produced by June 2008		Policy Group 7 May										
Statement of Accounts to be approved by the Fire Authority by 30 June			CFA 11 Jun									
Statement presented to auditors with full working papers – signed off by 30 Sept												