



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Finance and Resources Committee

FINANCIAL UPDATE TO 31 MAY 2010

Report of the Chief Fire Officer

Agenda Item No:

Date: 09 July 2010

Purpose of Report:

To inform Members of key aspects of financial performance in the first 2 months of the financial year.

To request Members approve capital programme slippage from 2009/10 to 2010/11.

CONTACT OFFICER

Name : Neil Timms
Head of Finance and Resources

Tel : 0115 967 0880

Email : neil.timms@notts-fire.gov.uk

**Media Enquiries
Contact :** Elisabeth Reeson
(0115) 967 5889 elisabeth.reeson@notts-fire.gov.uk

1. BACKGROUND

- 1.1 One of the key aspects of corporate financial governance is that Members of this Committee scrutinise the Authority's financial performance on a regular basis.
- 1.2 This report gives Members an overview of the Authority's financial position and of its performance in five main areas: the revenue budget; the capital budget; treasury management and the prudential code; reserves and balances and efficiencies.
- 1.3 The period covered by this report is the first two months of the financial year to 31 May 2010.

2. REPORT

REVENUE BUDGET MONITORING

- 2.1 Members will be aware that the current national financial situation is one of great uncertainty over future budgets for public services. In this climate, any revenue budget underspends arising in the year will be preserved until the outcomes of the Comprehensive Spending Review are published in the autumn and the level of future revenue support grant is known.
- 2.2 Members approved a revenue budget of £48.11m for 2010/11 at the Fire and Rescue Authority on 19 February 2010. Around 73% of this budget is for employee pay and pay oncosts.
- 2.2 The Wholetime pay budget is the largest element of the budget, totalling around £24m (excluding any contingency for pay award). The budget is showing an underspend to the end of May of £128k. The reasons for this are that the current staff establishment is 567 posts and as at the end of May there were 562.5 in post. In addition to this, the overtime budget is underspending by around £6k and there is an underspend of £36k due to some employees being paid on a lower pay scale than that budgeted for. This underspend is certain to increase in size in the first half of the year as 4 wholetime employees retired in May, with further retirements imminent. However 10 trainees are due to start in September which should then bring staff numbers back in line with the establishment.
- 2.3 The Retained pay budget is just over £3m and is showing an underspend of £58k to date. This will be subject to further analysis, which will be reported to Members at a later date.
- 2.4 The budget for Administrative and Support staff pay totals around £5m for the year and is showing an underspend to the end of May of £32k. There are currently 7 vacant posts but it is difficult to predict future turnover of staff at this stage in the year.

- 2.5 The non-pay budget for Fire Prevention is already showing an underspend of £54k to the end of May. There are currently 6 staff vacancies in the department, which means that workstreams in some areas will be subject to delays, although activity levels are now starting to gather pace. An estimated outturn figure will be reported at the next Committee.

CAPITAL BUDGET MONITORING

- 2.6 Members approved a capital programme of £4.67m for 2010/11 at the Fire and Rescue Authority on 19 February 2010. In addition, certain capital projects did not complete in 2009/10 and unspent capital budget will need to be slipped forward into 2010/11 to enable those projects to be concluded. Members are requested to approve the total capital slippage of £2.924m, which is further analysed in the following paragraphs.
- 2.7 The transport capital programme for the year is £2.113m plus slippage of £0.455m. This covers the replacement of rescue pumps, special appliances and small vehicles. Only £10k of this budget has been spent to date, as no stage payments for appliances have been made this early in the year.
- 2.8 The property capital programme for the year is £2.293m plus slippage of £2.179m mainly relating to Carlton Fire Station. As at 31 May 2010, £309k had been spent with most of this being on the Carlton Fire Station rebuild project, the Stockhill Fire Station refurbishment project, the Tuxford Fire Station refurbishment project and the Mansfield Fire Station reception refurbishment project.
- 2.9 The information and communications technology capital programme for the year is £260k plus slippage of £290k. During the first two months of the year, only £30k had been spent, with most of this being on the regional finance system project and replacement equipment.
- 2.10 The Authority has been notified that it will receive the second instalment of capital grant (£946k) which will be used to finance property capital projects.

TREASURY MANAGEMENT AND THE PRUDENTIAL CODE

- 2.11 As required by the Local Government Act 2003 the Authority has set out its treasury strategy for borrowing and investments and this was approved by the Fire and Rescue Authority on 9 April 2010. The strategy covered areas such as the requirement to borrow and the strategy for borrowing, the management of cash, credit-worthiness and the strategy for investing and the prime objective of maintaining the security and liquidity of funds.
- 2.12 In addition to this, the Fire and Rescue Authority approved the recommendations in the Prudential Code report for 2010/11 at its meeting on 19 February 2010. The objectives of the Prudential Code are to ensure that the capital investment plans of authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice. In order to measure

performance against these objectives, prudential indicators are set and agreed by the Authority.

2.13 Performance against the prudential indicators for 2010/11 to 31 May 2010 is as follows:

- Prudential Indicator 1: that the level of borrowing does not exceed the Authorised Limit.
 - As at 31 May 2010, the level of borrowing was £24.713m, which was well within the Authorised Limit of £36.021m
- Prudential Indicator 2: that the Authority's bank balance is maintained within the approved overdraft limit of £200k
 - During April and May 2010, the bank balance remained positive, with the lowest value being £5k on 5 May 2010.
- Prudential Indicator 3: that the upper limits for interest rate exposure are not breached – fixed rate exposure upper limit is 100%, variable rate exposure limit is 30%
 - During April and May 2010, all lending was at fixed interest rates
- Prudential Indicator 4: that the limits relating to the maturity structure of borrowings are not breached
 - The limits set are shown in the following table, with actual performance in the final column:

Limits on the Maturity Structure of Borrowing			
	Upper Limit	Lower Limit	Status as at 31 May 2010
Under 12 months	20%	0%	0%
12 months to 5 years	30%	0%	29%
5 years to 10 years	75%	0%	28%
10 years to 20 years	100%	20%	7%
Over 20 years	100%	20%	36%

The table above shows that loans maturing in the 12 months to 5 years period are close to the limit and that loans maturing in the 10 to 20 years period are below the lower limit. Further borrowing in this financial year will need to be structured in such a way that this situation is rectified i.e. with longer term loans.

- Prudential Indicator 5: that sums invested for more than 364 days shall not exceed £2m in value
 - As at 31 May 2010, no sums were invested for more than 364 days

RESERVES AND BALANCES

2.14 At the Fire and Rescue Authority meeting on 25 June 2010, the final accounts report set out the level of general reserves and earmarked reserves as at 31 March 2010.

- 2.15 General Reserves stand at £4.36m, which is 9% of the 2010/11 revenue budget. The risk assessment used to determine the minimum level of working balances, the results of which were reported to the Fire and Rescue Authority on 19 February 2010, showed that General Reserves should be £3.6m as a minimum. The Authority is therefore operating from a sound financial basis, with sufficient funds to meet specific risks and liabilities should these occur. There is no requirement to use any of the General Reserves to support the revenue budget in the current financial year.
- 2.16 In addition to the General Reserves, the Authority has set aside £2.98m as Earmarked Reserves for specific projects. Some of this funding will be used to support expenditure in 2010/11, and this will be reported to Members during the year as part of the revenue budget monitoring report.

EFFICIENCIES

- 2.17 The Comprehensive Spending Review 2007 (CSR07) outlined efficiency savings targets for Fire and Rescue Authorities. FRS Circular 58/2007 "CSR07 Funding for the Fire and Rescue Service" set a national three year target of £110m for the period 2008/09-2010/11. This target is equivalent to 1.6% per annum against a 2007/08 baseline. An efficiency target of £500k for 2009/10 was agreed at the March 2009 meeting of the Finance and Resources Committee - This target equates to approximately 1.2% of the 2007/08 baseline.
- 2.18 The deadline for reporting the total value of 2009/10 efficiencies achieved to the department for Communities and Local Government is 20 July 2010. Work is in progress to calculate the total achieved in the year, and data on activity and turnouts is awaited. The current estimate is that the 2009/10 efficiencies will total £490k, which is £10k short of the target. However the estimated cumulative efficiency savings for 2008/09 and 2009/10 total £944k, which is only £3k under the cumulative target.
- 2.19 The "forward look" efficiency statement, which sets out the Authority's efficiency target for 2010/11 is also due to be completed by 20 July. This target will be reported to the next Finance and Resources Committee, along with more detail about the final savings achieved for 2009/10.

3. FINANCIAL IMPLICATIONS

The financial implications are set out within the body of the report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising directly from this report

5. EQUALITY IMPACT ASSESSMENT

There are no specific equality impacts arising from this report.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report.

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

The regular receipt of financial reports by Members is key to managing one of the most significant risks to the organisation, that of financial risk. The process of budget monitoring and of prudential code monitoring is a key risk management control measure as are the management actions which are stimulated by such reporting.

9. RECOMMENDATIONS

- 9.1 That Members note the contents of this report
- 9.2 That Members approve capital programme slippage of £2.924m from 2009/10 into 2010/11

10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

FRANK SWANN
CHEF FIRE OFFICER