

TAYSIDE FIRE AND RESCUE BOARD**REPORT BY THE CHIEF FIRE OFFICER AND TREASURER****15 NOVEMBER 2010**

EXPENDITURE MONITORING 2010/11**Abstract**

This Report updates Members on the situation regarding the Board's projected Revenue and Capital expenditure for 2010/11 as at 30 September 2010.

1 RECOMMENDATION

It is recommended that Members note:

- a The contents of this Report which details the financial position of the Fire and Rescue Board as at 30 September 2010.
- b The Investment Strategy detailed within this Report.

2 INTRODUCTION

A revenue monitoring report detailing the year end projections for each category of expenditure contained within the revenue budget is enclosed as Appendix A and a capital monitoring report is enclosed as Appendix B.

3 NOTES TO THE REVENUE EXPENDITURE MONITORING REPORT – APPENDIX A**Staff Costs (Excluding Pensions)**

A projected underspend of £220,633 is forecast.

This underspend is mainly due to the forecast that operational overtime will underspend by an estimated £125,000 plus slippage within operational, control and support staff of an estimated £135,988. These factors result in an estimated underspend of £260,988. These underspends are offset by projected overspends on Class 1a national insurance contributions of £35,000. In addition to these elements, there are a number of other minor projected overspends which amount to £5,355.

Staff Costs – Ill Health/Injury Payments

A projected overspend of £23,898 is forecast.

Under the new financial arrangements ill-health pensions and legacy injury payments will be paid from Boards' revenue accounts. These charges will be met by a transfer from the Board's revenue account to the pensions account. It is estimated that this category of expenditure will underspend by an estimated £18,602 against budget.

An additional amount is required for charges relating to the continuing payments of all old personal injury pensions (ie predating 1 April 2010) from the revenue account and it is projected that this will overspend by an estimated £42,500.

Running Costs

Over the three main categories of Property Costs, Supplies and Services and Transport Costs there are various projected over and underspends that will result in a projected net overspend of £81,638. These can be allocated as follows:

<u>Property Costs</u>	£
Rates	25,721
Cleaning Contract	7,980
Utility Costs	21,000
Miscellaneous Property Costs	(2,384)
<u>Supplies and Services</u>	
SLA Costs	14,802
Emergency Catering	4,000
Equipment - Occupational Health	(4,500)
Periodicals	5,000
Uniforms & Protective Clothing	46,000
Miscellaneous Supplies and Services	(12,755)
<u>Transport Costs</u>	
Travel and Subsistence	(17,500)
Transport – Repairs & Maintenance	(7,000)
Petrol/Oil	(2,000)
Miscellaneous Transport Costs	3,774
<u>Third Party Payments</u>	
Bank Charges	(500)
Total	<u>81,638</u>

Capital Financed from Current Revenue

It is not forecast that there will be any variance to the expenditure incurred within this category.

Capital Financing Costs

Perth and Kinross Council, who manage the Board's debt portfolio, are projecting an overspend in Capital Financing Costs ("Loan Charges") for 2010/11 of £17,061.

Income

The projected income that will be generated during 2010/11 is estimated to be £88,700 in excess of the budgeted figure. This is mainly due to seconded officer income of £40,000 in excess of budget, additional workshop income of £13,500, rental income in excess of budget by £10,000, unbudgeted reimbursement of a Home Safety Officer post of £15,850 and a number of other minor variances totalling £9,350.

4 NOTES TO THE CAPITAL MONITORING REPORT – APPENDIX B

It is projected that the total capital expenditure for the year will be approximately £42,184 underspent for 2010/11. This estimate is made on the assumption that prospective capital receipts forecast will materialise as expected. It should be noted that approximately 33% of the estimated capital expenditure for the year has been incurred up to 30 September 2010. This is in line with the expenditure trends expected at this time of the year.

5 INVESTMENT STRATEGY

The Local Government Investments (Scotland) Regulations 2010 came into effect on 1 April 2010. These give authorities more freedom to determine their own investment policies and specify their “permitted investments”. These Regulations also confer additional reporting requirements, including the setting of an investment strategy each year, and performance reports mid way through the year and at the end of the year. The management of risk is also fundamental to the Investment Strategy and such considerations should be explicitly stated in the report and understood by members.

Accordingly, it is proposed that the only Permitted Investment of Tayside Fire and Rescue Board is the placement of surplus cashflows on deposit with Perth and Kinross Council, in line with the Board’s existing Service Level Agreement. This ensures that the Board always has access to sufficient funding for its day-to-day activities. The total amount of such deposits is unlimited, and will be determined in line with the Board’s actual daily cashflows. For the current year, it is estimated that such deposits will not exceed £3M and given the relatively low level of investments this strategy does not increase the risks associated with such investments. The Board has no other funds for investment. In particular, as the Board’s current capital programme is primarily grant funded, with no new borrowing requirement, the Board is not exposed to “borrowing in advance of need”. The only new long term borrowing being undertaken would be in relation to restructuring of the current debt portfolio.

The use of deposit facilities with Perth and Kinross Council is deemed low risk in terms of counterparty risk and liquidity risk, with such funds available instantly on a daily basis. Further, during the current period of low interest rates, the market risk of such deposits on these terms is also deemed low. This will be subject to review should there be any change to the Board’s cashflow projections and if interest rates were to significantly increase.

It is proposed that future Investment Strategies will be included with the Board’s annual budget proposals and that the mid-year and end of year performance reports will be incorporated into budget monitoring reports. These will also be subject to existing scrutiny arrangements relating to the Board’s finances and controls. It should also be noted that the above strategy does not impact on the Board’s current approved Prudential Indicators.

6 CONSULTATION

The Clerk has been consulted in the preparation of this Report.

7 CONCLUSIONS

7.1 Conclusion - Revenue Expenditure

The total projected underspend on the revenue account for the year is £186,736. Given the projection as at 30 September 2010, a transfer would be made to the Board's reserves for this amount.

These adjustments to the projected year end position have the following effect:

	2010/11 £
General Fund Balance Brought Forward	1,245,000
Projected / Budgeted Surplus for Year	186,736
Projected Future Pension Commutations to be Paid From Earmarked Balance	(319,000)
Projected Uncommitted General Fund Balance Carried Forward	1,112,736
Projected Uncommitted Balance as a % of Amount Requisitioned in 2010/11	4.49%

It should be stressed that expenditure, and particularly that relating to staff costs will be closely monitored and the Board will be kept advised as required.

7.2 Conclusion - Capital Expenditure

It is projected that the total capital expenditure for the year will underspend by an estimated £42,184 against the total capital funding available. Capital expenditure throughout the year is also carefully planned and monitored as, given the high value of some projects a slight variation in price can result in significant variations in the final cost. It is the intention that the total expenditure for the year will not exceed the total funding available and therefore the Board will not require to incur additional borrowing under the prudential regime.

S Hunter
Chief Fire Officer

J Symon
Treasurer

Background Papers

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

Fire and Rescue Headquarters
DUNDEE

APPENDIX A**TAYSIDE FIRE AND RESCUE BOARD****Revenue Projection as at 30 September 2010**

SUMMARY	Board Approved Budget £	Projection Projected Outturn £	Variance £
Staff Costs			
Wholetime Personnel	13,548,516	13,518,500	-30,016
Wholetime Personnel Overtime	500,000	375,000	-125,000
Control Staff	844,310	793,950	-50,360
Retained Personnel	1,946,566	1,929,000	-17,566
Support Staff	2,069,921	2,066,875	-3,046
Other Staff Costs	187,045	192,400	5,355
<u>Pensions Payments</u>			
Injury Pensions	106,000	148,500	42,500
Ill Health Capital Equivalent Charges	194,000	175,398	-18,602
Injury Awards	0	0	0
Total Staff Costs	19,396,358	19,199,623	-196,735
Property Costs	1,284,143	1,336,460	52,317
Supplies & Services	1,848,930	1,901,477	52,547
Transport Costs	766,964	744,238	-22,726
Third Party Payments	4,800	4,300	-500
Capital Financed from Current Revenue	1,100,000	1,100,000	0
Capital Financing Costs	679,223	696,284	17,061
Total Expenditure	25,080,418	24,956,382	-98,036
Income	-297,250	-385,950	-88,700
Total Net Expenditure Funded by RSG	24,783,168	24,570,432	-186,736
Projected Transfer from/(to) Reserves			-186,736

TAYSIDE FIRE AND RESCUE BOARD

Capital Projection as at 30 September 2010

Description	Approved Capital Plan 2010/11 £	Adjusted Management Budget(based on Funding) £	Forecast Expenditure £
Property Imp / Energy Cons	0	70,000	70,000
Property Minor Works	800,000	957,000	1,018,000
Fire Engines & Equipment	475,000	475,000	470,000
Ancillary Vehicles & Equip	120,000	115,000	111,805
IT Development	125,000	125,000	125,000
Hydrants & Operational Equip.	160,000	95,000	104,029
Upgrade of Training Facilities	0	0	0
Total	1,680,000	1,837,000	1,898,835

Funded By:

Approved Capital Grant Funding	1,331,004
Approved Capital Top-Slice Funding	343,000
Other Capital Grants	157,000
Capital Receipts from Disposal of Assets	73,450
Previous Year's Unutilised Capital Funding b/fwd	36,565
Total Capital Funding	1,941,019
(Surplus)/Deficit for Year	-42,184