WYFRA	FINANCE AND RESOURCES	2 February 2007	ITEM No

REPORT OF:	CHIEF FINANCE OFFICER
PURPOSE OF REPORT:	TO PRESENT A QUARTERLY OVERVIEW OF THE FINANCIAL POSITION OF THE AUTHORITY
RECOMMENDATION:	THAT MEMBERS NOTE THE CONTENT OF THE REPORT

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT DETAILS

Exemption Category:	NONE
Contact Officer:	G. MAREN CHIEF FINANCE OFFICER TEL 01274 655711
Background Papers:	

1. BACKGROUND

The purpose of this report is to present an overview of the financial performance of the authority of the first quarter of the current financial year. The report is split into four sections dealing with revenue expenditure, capital expenditure, treasury management and debtors and creditors.

In the previous financial year the report included a section on the performance of internal audit, this is now reported to the audit committee.

In addition to the quarterly report to the Finance and Resources Committee reports on revenue and capital expenditure are also prepared for management board, senior managers and cost centre managers to enable them to manage their individual budgets.

SECTION 1 REVENUE EXPENDITURE MONITORING

1. INTRODUCTION

Expenditure is monitored throughout the year against the approved revenue budget with reports being considered by each meeting of the Management Board and each meeting of the Finance and Resources Committee. The purpose of the report is to monitor progress against the approved revenue budget and capital plan; provide an early forecast outturn for the financial year; provide an explanation of any major variations, and to show the impact of any variations on the revenue balances of the Authority.

This is the third report of the financial year and is based on expenditure for the first nine months of the year including the first 10 salary payments. Expenditure forecast are based on current years expenditure adjusted for know variations projected forward using expenditure patterns from previous years.

2. REVENUE BUDGET REVISION

Included within the revenue budget is an amount set aside to provide for pay and price increases arising during the financial year. As the financial year progresses the revenue budget is revised to take account of significant variations in expenditure patterns and pay and price increases. Since the last forecast there have been no further allocations from contingencies resulting in budget revisions.

3. EXPENDITURE MONITORING

The overall forecast is that expenditure is an underspending of £1.19m on the approved revenue budget which is a significant increase over the previous forecast. The major changes relate to savings on business rates coupled with a forecast increase in income. A detailed explanation of the variations is provided below.

	PREVIOUS FORECAST £000	REVISED FORECAST £000	VARIANCE £000
Wholetime firefighters	-£336	-£304	+£32
Retained firefighters	£203	£148	-£55
Firefighters pensions	-£230	-£210	-£20
Fire and rescue staff	-£153	-£196	-
Premises expenses	-£50	-£200	-£150
Other income	-£25	-£423	-£398

3.2 Wholetime Firefighters -£304,000

There has been a slight variation in the level of underspending caused ny a slight increase in overtime payments. As previously explained the underlying reason for the underspending relates to the rate of firefighter retirements. As reported previously under their conditions of service firefighters are only required to give 7 days notice of retirement and changes in the pensions scheme means there is no longer an age where retirement is compulsory. In previous years this increase in retirements would have resulted in a significant increase in pension costs, however changes in the way pensions are funded mean this is no longer the case.

3.3 Retained Firefighters +£148,000

A reduction in activity over the last 2 months has seen a significant reduction in the forecast overspending on retained payments. It is however likely that the weather patterns in January including high winds and flooding could well result in increased payments towards the year end.

3.4 Firefighters pensions -£210,000

Under the revised funding mechanism for firefighters pensions the Authority is required to make a contribution equivalent to 4 times salary for every firefighter retiring, the payment being phased over 3 years. It is now forecast there will be 5 ill health retirements in the current year against a revenue budget provision based on 10 ill health retirements.

3.5 Fire and Rescue staff -£196,000

The approved revenue budget for 2006/2007 included provision for 30 new posts principally in fire safety. Delays in recruiting these staff has resulted in the forecast underspending.

3.6 Premises costs -£200,000

The forecast increase in underspending relates to successful appeals against the rateable value of the Authority's premises. This has resulted in annual savings of £100,000 back dated to 2005/2006. The savings in the current years are reduced by the cost of the review.

3.7 Income -£398,000

The Authority has seen an increase in all areas of income including training courses, sale of fire certificates and special service charges including lift rescues.

2006/2007 REVENUE EXPENDITURE MONITORING
JANUARY 2007

EXPENDITURE	**PAYMENTS TO DATE £000**	**EXPEND FORECAST £000**	**APPROVED BUDGET £000**	**FORECAST VARIANCE £000**
Wholtime firefighters	£47,366	£58,832	£59,136	-£304
Retained firefighters	£1,904	£2,385	£2,237	£148
Firefighters pensions	£935	£1,260	£1,470	-£210
Brigade control	£1,806	£2,284	£2,384	-£100
Support staff	£5,300	£6,750	£6,946	-£196
Other employee expenses	£413	£795	£793	£2
Premises expenses	£1,535	£2,270	£2,470	-£200
Transport costs	£1,360	£1,804	£1,770	£34
Supplies and services	£2,498	£3,359	£3,309	£50
Insurance		£849	£849	£0
Lead authority charges		£300	£276	£24
Capital financing charges		£4,661	£4,682	-£21
Provision for pay award		£84	£84	£0
Total Expenditure		£85,633	£86,406	-£773
Training income	£132	£171	£139	£32
Fire Safety Income	£71	£93	£53	£40
Grants	£835	£2,000	£2,049	-£49
Other Income	£712	£1,515	£1,115	£400
Total Income		£3,779	£3,356	£423
Net expenditure		£81,854	£83,050	-£1,196

4. IMPACT ON REVENUE BALANCES

Description	General Reserve
Balance at 1 April 2006	£3.784m
Approved use of balances	-£0.750m
Impact of forecast	+£1.196m
Forecast balance at 31/3/2007	£4.230m

SECTION 2 CAPITAL EXPENDITURE MONITORING

INTRODUCTION

At it's meeting on 17th February 2006, the Authority approved a three year capital programme of £26.2m which included schemes to the value of £10.915m for the current financial year.

1 SCHEMES SLIPPED BETWEEN FINANCIAL YEARS AND CAPITAL VIREMENT

The nature of major capital schemes means that expenditure often straddles a number of financial years, particularly the case in major building schemes and the development of major information systems. The financial outturn report presented to the last meeting of the full authority identified a number of major capital schemes where expenditure has slipped into the current financial year. The capital plan attached in appendix 1 shows the schemes where expenditure has slipped between the financial years these total £1.926m. The committee are therefore asked to approve the revised capital plan of £12.841m for the current financial year.

2 CAPITAL PAYMENTS 2006/2007

The actual capital payments to date total £7.34m an increase of £4.61m since the last report. This increase is due to the completion of Bradford Fire Station which opened on 15th January 2007 and the Technical Training Centre which is now almost complete. Details on progress on each of the capital schemes is shown in the attached Appendix 1.

5 APPROVALS UNDER FINANCIAL PROCEDURE 3.11

Under financial procedures 3.11 the Management Board can approve expenditure on schemes in the approved capital plan up to an amount of £100,000. This approval is subject to approvals being reported to the Finance and Resources Committee. Details of schemes approved by the Management Board are provided below :-

Purchase of photographic equipment	£16,000
Replacement station presenters	£15,000
Incident recording software	£25,000

SECTION 3 TREASURY MANAGEMENT

TREASURY MANAGEMENT

At its meeting on 17th February the Authority approved a three year treasury management strategy as part of the overall Revenue Budget and Capital Planning process. This strategy sets out how the Authority will deal with its cash flows arising from the capital investment plan and revenue budget. The strategy sets out both the Borrowing Strategy and Investment Strategy that the Authority will follow for the period. The purpose of this section of the report is to monitor performance against this strategy.

1 BORROWING

This section deals with the Authorities debt portfolio and monitors the performance indicators related to the size of the Authorities debt along with the make up between fixed rate loans and variable rate loans and long term and short term borrowing.

The actual performance on each of the indicators is shown graphically in appendix 3.

1.1 Overall Borrowing Limits

The first graph provides a forecast of total debt outstanding and compares this with the limits set by the Authority in February 2006. The graph shows that it is forecast that the Authorities borrowing should remains within the limits approved by the Authority.

1.2 Comparison of Fixed and Variable Interest Loans

The approved strategy on interest rates is that fixed interest loans should make up between 60% and 100% of the total debt outstanding. The graph shows that the forecast for the year is 98% will be fixed rate, which is within the strategy. This means that variable loans will make up 2% of the debt portfolio, which is well inside the maximum limit of 40%.

1.3 Interest Rates

The final two graphs in this section compare the rates that the Authority has been able to borrow money at with the 7day LIBID rate for temporary borrowing and Short Term Borrowing.

The first graph shows that for temporary borrowing the Authority has, for the last 6 months, been borrowing at a marginally lower rate that the 7 Day LIBID rate and that for Short Term Borrowing is 0.01% above the rate.

1.4 New Borrowing

During the last quarter a further £0.5m of loans have been restructured resulting in small savings in interest charges. Loans £1.4m taken on 28 September 2006 were used repay loans of £0.959m and £0.443m 4th October 2006, with savings of 0.2% and 1.4% on interest charges respectively. At 31 December 2006 the Authority had total long term debt outstanding of £27.7m.

(b) Movement in Long-Term Borrowing

Long-Term Borrowing	Rate %	Yrs	Date	£k
Balance at 30 September 2006	-	-		**29,304**
Repayment of principal				**-202**
Repay PWLB loan 484633	4.3%	23	4 October 2006	**-959**
Repay PWLB loan 490584	5.5%	19	4 October 2006	-443
Replacement PWLB loan 492538	4.2%	32	29 November 2006	+250
Replacement PWLB loan 492538	4.2%	33	29 November 2006	+250
Repay PWLB loan 490584	4.25%	28	4 December 2006	-500
Balance as at 31 December 2006	-	-		**27,700**

1.5 **Loan Maturity**

Another important factor of treasury management is controlling the maturity of loans to ensure that there year on year there is a smooth maturity pattern to ensure that the Authority does not become hostage to large interest rate increases.

As part of the strategy the Authority set maximum and minimum limits for the proportion of loans that will mature within periods from 12months to over 10 years. The graphs in appendix 2 show that in all cases the loan maturity is well within the approved limits.

2 INVESTMENTS

The final part of this section of the report deals with the Authority's investment strategy. In general the Authority will only invest funds for the following reasons :-

1. to facilitate day to day cash flow variations
2. to temporarily invest funds which have been borrowed from capital purposes in advance of interest rate increases
3. to invest internal funds (e.g. revenue balances) when it is deemed more prudent to do so rather than using them to reduce borrowing.

The two graphs in appendix 3 measure the investment performance of the Authority against the 7 day LIBID rates. It can be seen that in each month of the current financial year and over a longer term the Authority has beaten the rate consistently. In addition a comparison of the investment rate with the borrowing rate for the period shows that the investment rate achieved has exceeded the borrowing rate for the period. The average balance of temporary investment of the last 6 months totals £2.9m.

SECTION 4 DEBTORS AND CREDITORS

The final section of the report deals with the payment of creditors and collection of income from debtors.

Payment of Invoices

The prompt payment of invoices is set down in Best Value legislation and as such the Authority is measured on the payment of invoices by a performance indicator. The Authority is required to pay all undisputed invoices within 30 days of receipt, if not suppliers are within their rights to charge the Authority interest on outstanding bills.

Actual performance on the payment of invoices within 30 days of receipt for the past 3 years and actual to date for 2005/06 is detailed below:

2002/03 – 97.8%
2003/04 – 97.6%
2004/05 – 99.41%
2005/06 – 97.99%
2006/07 – 98.60%
The target for the prompt payment of invoices set by central government for 2006/07 is 100%. The first 9 months show that 98.6% of invoices paid have been paid within 30days an improvement on the overall figure for 2005/2006.

To ensure greater efficiency it is Authority policy to pay all invoices by electronic transfer (BACS) rather than by cheque. This method of payment is more cost effective and reduces the risk of fraudulent conversion of payments since no cheques are sent which could be intercepted and altered.

Outstanding Debt

The Authority receives income for services provided, these include special services, training courses, fire safety certificates, licences for telecom masts on premises. In most cases because of the type of service provided it is not possible to raise a charge in advance of the service and as a consequence debtor accounts are raised.

The level of outstanding debt owed to the Authority to the 31 December 2006 is £196,600 this can be profiled as follows:

Less than 35 days -	£121,600
Greater than 35 days -	£ 6,700
Greater than 60 days -	£ 68,300

The procedure for issuing accounts and debt collection is provided by Kirklees Council under a Service Level Agreement. A summary of the procedure for collecting outstanding debt is detailed below:

21 days	first reminder letter
28 days	second reminder letter
35 days	instigation of debt recovery system

As detailed above, there is currently £75,000 of debt, which is at the recovery stage.