REPORT REFERENCE NO.	**RC/15/8**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**2 SEPTEMBER 2015**
SUBJECT OF REPORT	**FINANCIAL PERFORMANCE REPORT 2015-2016 – QUARTER 1**
LEAD OFFICER	**Treasurer to the Authority**
RECOMMENDATIONS	***(a) That the two budget virements (in excess of £50,000), as outlined in Paragraph 5.3 and 5.5 of this report, be approved*** ***(b) Subject to (a) above, that the monitoring position in relation to projected spending against the 2015-2016 revenue and capital budgets be noted;*** ***(c) That the performance against the 2015-2016 financial targets be noted.***
EXECUTIVE SUMMARY	This report provides the Committee with the first quarter performance (to June 2015) against agreed financial targets for the current financial year. In particular, it provides a forecast of spending against the 2015-16 revenue budget with explanations of the major variations. At this early stage in the financial year it is forecast that spending will be £1.267m less than budget, equivalent to just 1.70% of the total budget. This saving is largely attributable to the ongoing crewing changes as a result of the last Corporate Plan together with a strategy to hold vacancies when staff leave the organisation. At this stage, no recommendations are made in relation to how this forecast saving is to be utilised.
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	Appendix A – Summary of Prudential Indicators 2015-2016.
LIST OF BACKGROUND PAPERS	None.

1. INTRODUCTION

1.1 This report provides the first quarterly financial monitoring report for the current financial year, based upon the position as at the end of June 2015. As well as providing projections of spending against the 2015-16 revenue and capital budget, the report also includes forecast performance against other financial performance indicators, including the prudential and treasury management indicators.

1.2 Table 1 below provides a summary of performance against the key financial targets.

TABLE 1 –PERFORMANCE AGAINST KEY FINANCIAL TARGETS 2015-2016

	Key Target	Target	Forecast Outturn		Forecast Variance	
			Quarter 1	Previous Quarter	Quarter 1 %	Previous Quarter %
	Revenue Targets					
1	Spending within agreed revenue budget	£74.710m	£73.444m	N/A	(1.70%)	N/A
2	General Reserve Balance as %age of total budget (minimum)	5.00%	7.06%	6.95%	(2.06)bp*	N/A
	Capital Targets					
3	Spending within agreed capital budget (*revised*)	£8.178m	£8.178m	N/A	0,00%	N/A
4	External Borrowing within Prudential Indicator limit (*revised)*	£30.568m	£25.943m	N/A	15.13%	N/A
5	Debt Ratio (debt charges over total revenue budget)	3.76%	3.76%	N/A	(0.00)bp*	N/A

**bp = base points*

1.3 The remainder of the report is split into the three sections of:

SECTION A – Revenue Budget 2015-16.

SECTION B – Capital Budget and Prudential Indicators 2015-16.

SECTION C – Other Financial Indicators.

1.4 Each of these sections provides a more detailed analysis of performance, including commentary relating to the major variances.

2. SECTION A - REVENUE BUDGET 2015-2016

2.1 Table 2 overleaf provides a summary of the forecast spending against all agreed subjective budget heads, e.g. employee costs, transport costs etc. This table indicates that spending by the year end will be £73.444m compared with an agreed budget figure of £74.710m, representing a saving of £1.267m, equivalent to 1.70% of the total budget.

TABLE 2 – REVENUE MONITORING STATEMENT 2015-16

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY
Revenue Budget Monitoring Report 2015/16

Line No		2015/16 Budget £000 (1)	Year To Date Budget £000 (2)	Spending to Month 3 £000 (3)	Projected Outturn £000 (4)	Projected Variance over/ (under) £000 (5)
	SPENDING					
	EMPLOYEE COSTS					
1	Wholetime uniform staff	29,015	7,230	6,914	28,171	(844)
2	Retained firefighters	12,438	2,783	2,410	12,082	(356)
3	Control room staff	1,647	402	423	1,711	65
4	Non uniformed staff	10,270	2,559	2,440	10,027	(243)
5	Training expenses	1,064	266	174	1,192	129
6	Fire Service Pensions recharge	2,887	957	668	3,014	127
		57,320	**14,196**	**13,028**	**56,198**	**(1,123)**
	PREMISES RELATED COSTS					
7	Repair and maintenance	1,308	327	552	1,316	8
8	Energy costs	630	110	350	613	(17)
9	Cleaning costs	445	111	332	474	29
10	Rent and rates	1,662	485	526	1,666	4
		4,044	**1,033**	**1,759**	**4,068**	**24**
	TRANSPORT RELATED COSTS					
11	Repair and maintenance	607	152	104	607	0
12	Running costs and insurances	1,344	664	431	1,347	3
13	Travel and subsistence	1,549	295	275	1,555	6
		3,500	**1,110**	**810**	**3,509**	**9**
	SUPPLIES AND SERVICES					
14	Equipment and furniture	2,705	675	677	2,690	(15)
16	Hydrants-installation and maintenance	128	32	45	128	0
17	Communications	2,114	529	373	2,114	0
18	Uniforms	614	154	101	603	(11)
19	Catering	218	55	64	215	(3)
20	External Fees and Services	106	26	52	112	6
21	Partnerships & regional collaborative projects	170	42	40	171	1
		6,055	**1,513**	**1,351**	**6,033**	**(22)**
	ESTABLISHMENT COSTS					
22	Printing, stationery and office expenses	397	137	102	385	(12)
23	Advertising	32	8	6	34	2
24	Insurances	341	311	160	341	0
		770	**456**	**268**	**760**	**(10)**
	PAYMENTS TO OTHER AUTHORITIES					
25	Support service contracts	568	121	283	571	3
		568	**121**	**283**	**571**	**3**
	CAPITAL FINANCING COSTS					
26	Capital charges	4,039	451	700	3,935	(104)
27	Revenue Contribution to Capital spending	2,118	-	-	2,118	0
		6,156	**451**	**700**	**6,052**	**(104)**
28	**TOTAL SPENDING**	**78,413**	**18,880**	**18,200**	**77,190**	**(1,223)**
	INCOME					
29	Treasury management investment income	(117)	(29)	(0)	(119)	(2)
30	Grants and Reimbursements	(2,992)	(1,075)	(1,184)	(3,200)	(208)
31	Other income	(998)	(250)	(165)	(949)	49
32	Internal Recharges	(30)	(8)	(5)	(29)	1
33	**TOTAL INCOME**	**(4,137)**	**(1,362)**	**(1,354)**	**(4,297)**	**(160)**
34	**NET SPENDING**	**74,276**	**17,518**	**16,846**	**72,893**	**(1,383)**
	TRANSFERS TO EARMARKED RESERVES					
35	Transfer to Earmarked Reserve	434	-	-	550	116
		434	**-**	**-**	**550**	**116**
38	**NET SPENDING**	**74,710**	**17,518**	**16,846**	**73,444**	**(1,267)**

2.2 These forecasts are based upon the spending position at the end of June 2015, historical trends, and information from budget managers on known commitments. It should be noted that whilst every effort is made for projections to be as accurate as possible, some budget lines are susceptible to volatility in spending patterns during the year e.g. retained pay costs which are linked to activity levels, and it is inevitable therefore that final spending figures for the financial year will differ than those projected in this report.

2.3 This projection for an underspend of £1.267m is largely attributable to savings on staffing costs primarily as a result of in year leavers and retirees not being replaced per the Corporate Plan implementation. Members will recall that when fully implemented these proposals will deliver on-going savings of £6.8m, however it is recognised that this full saving would take a number of years dependent on the natural turnover of staff through retirements.

2.4 In addition all budget managers have been tasked by the Chief Fire Officer and Executive Board to reduce spending 'in year' and managers are responding accordingly.

2.5 Explanations of the more significant variations from budget (over £50,000 variance) are explained below in paragraphs 3 to 5.

3. EMPLOYEE COSTS

Wholetime Staff

3.1 At this stage it is projected that spending on wholetime pay costs will be £844,000 less than budget largely as a result of more staff retirements and leavers during the year than had been budgeted, reducing staffing levels towards those required post Corporate Plan crewing changes. This projection includes the impact of the agreed 1% pay award from July 2015.

Retained Pay Costs

3.2 At this stage in the financial year spending is forecast to be under budget by £356,000. In making this projection an assumption has been made that activity levels in the remainder of the financial year are consistent with the average for the same period for the last three financial years. It should be emphasised that by its very nature retained pay costs can be subject to significant variations e.g. volatility to spending caused from spate weather conditions.

Control Room Staff

3.3 It is forecast that the Control Room will be £65,000 over spent on its staffing budget. This is due to a number of employees electing to join the Local Government Pension scheme since the start of the year, where the associated employer cost was not budgeted.

Non Uniformed Pay

3.4 It is forecast that savings of £243,000 will be achieved against non-uniformed pay costs primarily as a result of staffing vacancies and management action to challenge whether vacancies are filled.

Training Expenses

3.5 It is forecast that spending on Training Expenses will be £129,000 more than budget, mainly as a result of a new requirement to provide training for EDF Energy at their Hinkley Point site. It should be noted, however, that this spending is to be funded from a draw down against a grant from EDF which was received by DSFRS in the last financial year and therefore subject to a budget virement request as outlined in Paragraph 5.3 below.

Pensions Recharge

3.6 It is forecast that expenditure will exceed budget by £127,000 relating to Firefighters Pensions recharges due to the projected number of Ill Health retirees in 2015-16. This figure may be subject to change as given the long term nature of these retirement cases, the leaving date may slip into future financial years.

4. **CAPITAL FINANCING COSTS**

Capital charges

4.1 Current forecast of spending on Capital Charges is £3.935m representing a saving of £104,000. This as a consequence of slippage in capital spending in 2014-15, underspend in 2014-15, resulting in a reduction in debt charges in year.

5. **INCOME**

Grants & Reimbursements

5.1 It is anticipated that there will be a £208,000 surplus against a budget of £2.992m due to additional income from the Department for Communities and Local Government (DCLG) of £116,000 for Business Rates Relief and £110,000 from EDF Energy.

5.2 At budget the budget setting meeting in February 2015 an amount of £434,000 was included as Section 31 Grant income due from DCLG for Business Rates Relief Grant. The Authority agreed (Minute DSFRA/44(a) refers) to transfer this to an Earmarked Reserve to smooth out any future changes to National Non Domestic Rates (NNDR) income. It has since been confirmed that there has been a change to the multiplier used to determine the amounts paid to each authority and therefore the Service will receive an additional £116,000 of grant.

5.3 It is proposed that Resources Committee approves an in year budget virement of £116,000 to transfer the additional grant income from the Grants and Reimbursements budget (Table 2 Line 30) to the Earmarked Reserve for NNDR smoothing (Table 2 Line 35).

5.4 Hinkley Point Grant – due to the requirement for training at Hinkley point, there will be an additional £110,000 of funding drawn down against grant income from EDF received in 2014/15 which will be used to offset the expenditure on training lines.

5.5 It is proposed that Resources Committee approve an in year budget virement of £110,000 to increase the Training budget (Table 2 Line 5) with a corresponding increase in Grant income (Table 2 Line 30).

6. **RESERVES AND PROVISIONS**

6.1 As well as the funds available to the Authority by setting an annual budget, the Authority also holds reserve and provision balances.

Reserves

6.2 There two types of Reserves held by the Authority:

Earmarked Reserves – these reserves are held to fund a specific purpose and can only be used to fund spending associated with that specific purpose. Should it transpire that not all of the agreed funds are required then the agreement of the Authority would be sought to decide how any remaining balance is to be utilised.

General Reserve – usage from this Reserve is non-specific and is held to fund any unforeseen spending that had not been included in the base budget e.g. excessive operational activity resulting in significant retained pay costs.

Provisions

6.3 In addition to reserves the Authority may also hold provisions which can be defined as:

Provisions – a Provision is held to provide funding for a liability or loss that is known with some certainty will occur in the future, but the timing and amount is less certain.

6.4 A summary of predicted balances on Reserves and Provisions is shown in Table 3 below. These figures exclude any potential in-year transfers to/from the revenue budget in the current financial year.

TABLE 3 – FORECAST RESERVES AND PROVISION BALANCES 31 MARCH 2016

RESERVES	Balance as at 1 April 2015 £000	Approved Transfers £000	Proposed Transfers £000	Spending to P3 £000	Projected Spend 2015-16 £000	Proposed Balance as at 31 March 2016 £000	
Earmarked reserves							
Grants unapplied from previous years	1,707	-	-	109	1,014	693	
Change & improvement programme	938	-	-	69	561	376	
Budget Carry Forwards	727	-	-	(16)	201	526	
Commercial Services	192	-	-	-	50	142	
Direct Funding to Capital	7,175	-	-	-	1,047	6,128	
Comprehensive Spending Review*	4,955	-	-	-	-	4,955	
Community Safety Investment	215	-	-	16	175	40	
PPE & Uniform Refresh	996	-	-	-	-	996	
Pension Liability reserve	1,525	-	-	-	-	1,525	
NNDR Smoothing Reserve	62	424	116	-	-	602	
Total earmarked reserves	**18,492**	**424**	**116**	**178**	**3,048**	**15,984**	
General reserve							
General fund balance	**5,271**		**-**	**-**		**5,271**	
Percentage of general reserve compared to net budget							7.06%
TOTAL RESERVE BALANCES	**23,763**					**21,255**	
PROVISIONS							
Fire fighters pension schemes	784		-	-	75	709	
PFI Equalisation	295		-	-	-	295	
TOTAL PROVISIONS	**1,079**		**-**	**0**	**75**	**1,004**	

** The CSR Reserve has been established to provide additional financial contingency during the period of austerity, which is now anticipated to go beyond the current CSR 2010 period until at least 2017-18. Given the ongoing need to implement staff reductions arising from the changes within the Corporate Plan, this Reserve will be utilised over the period of austerity measures to fund the necessary changes to staffing models, including voluntary and/or compulsory redundancy costs, where required. It also provides further contingency in the event that government grant reductions are larger than included in the Authority's Medium Term Financial Plan.*

7. **SUMMARY OF REVENUE SPENDING**

7.1 At this stage it is forecast that spending will be £1.267m less than the agreed budget figure for 2015-16, which aligns with the strategy adopted to deliver in-year savings where possible to be available to enhance Reserve balances and prepare the Authority for future austerity measures.

7.2 Given that we are at an early stage in the financial year and the figures will inevitably be subject to change, this report does not make any recommendation as to how this forecast saving is to be utilised. Future decisions to be made by the Committee on utilisation of in-year savings will be influenced by other factors e.g. the need to support capital spending plans therefore reducing debt exposure, and also the need to maintain sufficient Reserve balances during the period of austerity.

8. **SECTION B – CAPITAL PROGRAMME AND PRUDENTIAL INDICATORS 2015-16**

Monitoring of Capital Spending in 2015-16

8.1 There is a separate report on the agenda for the Resources Committee meeting on 2 September 2015 (reference RC/15/9) which details amendments to the 2015-16 Capital Programme which are in line with current forecast capital expenditure of £8.178m.

8.2 It should be emphasised that none of these changes require any increase in the external borrowing requirement.

Prudential Indicators (including Treasury Management)

8.3 Total external borrowing with the Public Works Loan Board (PWLB) as at 30 June 2015 stands at £25.943m (no change from previous quarter), and forecast to reduce to £25.817m as at 31 March 2016. This level of borrowing is well within the Authorised Limit for external debt of £30.568m (the absolute maximum the Authority has agreed as affordable). No further external borrowing is planned in this financial year.

8.4 Investment returns in the quarter yielded an average return of 0.52% which outperforms the LIBID 3 Month return (industry benchmark) of 0.44%. It is forecast that investment returns from short-term deposits is anticipated to exceed the budgeted figure of £0.117m by 31 March 2016.

8.5 Appendix A provides a summary of performance against all of the agreed Prudential Indicators for 2015-2016, which illustrates that there was no breach of any of these indicators.

9. **SECTION C - OTHER FINANCIAL PERFORMANCE INDICATORS**

Aged Debt Analysis

9.1 Total debtor invoices outstanding as at Quarter 1 were £48,190 (previous quarter £241,423). Table 5 overleaf provides a summary of all debt outstanding as at 30 June.

9.2 Of this figure an amount of £8,346 (£10,607 as at 30 March 2015) was due from debtors relating to invoices that are more than 85 days old, equating to 17.32% (4.39% as at 30 March 2015) of the total debt outstanding. Table 4 overleaf provides an analysis of all debt in excess of 85 days.

TABLE 4 – OUTSTANDING DEBT AS AT 30 JUNE 2015

	Total £	%
Current (allowed 28 days in which to pay invoice)	7,887	16.37%
1 to 28 days overdue	10,855	22.53%
29-56 days overdue	7,502	15.57%
57-84 days overdue	13,599	28.22%
Over 85 days overdue	8,346	17.32%
Total Debt Outstanding as at 30 June 2015	48,190	100.00%

9.3 Table 5 below provides further analysis of those debts in excess of 85 days old.

TABLE 5 – DEBTS OUTSTANDING FOR MORE THAN 85 DAYS

	No	Total Value	Action Taken
Individual Debts less than £1,000	4	£465	Each debt being pursued by the Risk and Insurance Officer.
Georgia Group	1	£7,688	This is a claim that relates to a breach of contract and refunds due to the Authority in relation to training courses not delivered. The agreed instalment plan has been adhered to.

Payment of Supplier Invoices within 30 days

9.4 The Authority attempts to pay its suppliers promptly. The target is that 98% of invoices should be paid within 30 days (or other agreed credit terms). Actual performance to the end of June 2015 was 92.04% compared to the previous reported figure of 90.16% as at 31 March 2015. The Finance Team are working with administration staff across the Service and suppliers to improve performance.

KEVIN WOODWARD
Treasurer to the Authority

APPENDIX A TO REPORT RC/15/8

PRUDENTIAL INDICATORS 2015-2016

Prudential Indicators and Treasury Management Indicators	Forecast Outturn £m	Target £m	Variance (favourable) /adverse
Capital Expenditure	**8.178**	**8.178**	**(£0.000m)**
External Borrowing vs Capital Financing Requirement (CFR) - Total Borrowing Other long term liabilities	**27.261** 25.817 1.444	**27.261m** 25.817 1.444	**£0.000m**
External borrowing vs Authorised limit for external debt - Total - Borrowing - Other long term liabilities	**27.261** 25.817 1.444	**32.084** 30.568 1.516	**(£4.823m)**
Debt Ratio (debt charges as a %age of total revenue budget	**3.76%**	**3.76%**	**(0.0)bp**
Cost of Borrowing – Total - Interest on existing debt as at 31-3-15 - Interest on proposed new debt in 2015-16	**1.096** 1.096 0.000	**1.096** 1.096 0.000	**(£0.000m)**
Investment Income – full year	**0.119**	**0.116**	**(£0.003m)**
	Actual (30 June 2015) %	Target for quarter %	Variance (favourable) /adverse
Investment Return	**0.52%**	**0.44%**	**(0.08)bp**

Prudential Indicators and Treasury Management Indicators	Forecast (30 March 2015) %	Target Upper limit %	Target Lower limit %	Variance (favourable) /adverse %
Limit of fixed interest rates based on net debt	100.00%	100.00%	70.00%	0.00%
Limit of variable interest rates based on net debt	0.00%	30.00%	0.00%	(30.00%)
Maturity structure of borrowing limits				
Under 12 months	0.49%	30.00%	0.00%	(29.51%)
12 months to 2 years	0.36%	30.00%	0.00%	(29.14%)
2 years to 5 years	1.08%	50.00%	0.00%	(48.92%)
5 years to 10 years	8.22%	75.00%	0.00%	(66.78%)
10 years and above - 10 years to 20 years - 20 years to 30 years - 30 years to 40 years - 40 years to 50 years	**89.86%** 17.55% 14.26% 21.97% 36.07%	**100.00%**	**50.00%**	**(10.14%)**