

REPORT REFERENCE NO.	RC/24/15
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	30 SEPTEMBER 2024
SUBJECT OF REPORT	FINANCIAL PERFORMANCE REPORT 2024-25 – QUARTER 1
LEAD OFFICER	Head of Finance (Treasurer)
RECOMMENDATIONS	<p>(a) <i>That the monitoring position in relation to projected spending against the 2024-25 revenue and capital budgets be noted;</i></p> <p>(b) <i>That the performance against the 2024-25 financial targets be noted.</i></p>
EXECUTIVE SUMMARY	<p>This report provides the Committee with the first quarter performance against agreed financial targets for the current financial year. In particular, it provides a forecast of spending against the 2024-25 revenue budget with explanations of the major variations.</p> <p>At this stage in the financial year, it is forecast that spending will be £0.629m less than budget, an underspend of 0.70% of total budget.</p>
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY RISKS AND BENEFITS ANALYSIS	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	<p>A. Summary of Prudential Indicators 2024-25.</p> <p>B. Reserves Position by Reserve</p> <p>C. Reserves Position by Expense Code</p>
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 2024. As well as providing projections of spending against the 2024-25 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 2024-25

	Key Target	Target	Forecast Outturn		Forecast Variance	
			Quarter 1	Previous Quarter	Quarter 1 %	Previous Quarter %
Revenue Targets						
1	Spending within agreed revenue budget	£92.622m	£91.993m	n/a	0.70%	n/a
2	General Reserve Balance as % of total budget (minimum)	5.00%	5.01%	n/a	(0.01)bp*	n/a
Capital Targets						
3	Spending within agreed capital budget	£7.648m	£7.588m	n/a	(0.78%)	(0.00%)
4	External Borrowing within Prudential Indicator limit	£29.490m	£27.432m	n/a	(6.98%)	(0.00%)
5	Debt Ratio (debt charges over total revenue budget)	5.00%	3.08%	n/a	(1.92)bp*	(0.00)bp*

**bp = base points*

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

- **SECTION A** – Revenue Budget 2024-25.
- **SECTION B** – Capital Budget and Prudential Indicators 2024-25.
- **SECTION C** – Other Financial Indicators.
- **SECTION D** – Medium-Term Financial Plan.

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 2024-25

2.1. Table 2 below provides a summary of the forecast spending against all agreed subjective budget heads, e.g. employee costs, transport costs etc.

TABLE 2 – REVENUE MONITORING STATEMENT 2024-25

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY Revenue Budget Monitoring Report 2024/25							
	2024/25 Budget	Year To Date Budget	Spending to Month 3	Projected Outturn	Projected Variance over/ (under)	Projected Variance over/ (under)	
	£'000	£'000	£'000	£'000	£'000	%	
Employee Costs							
1	Wholetime	38,292	9,528	8,922	38,233	(59)	-0.2%
2	On-Call	23,179	5,415	3,734	23,175	(5)	0.0%
3	Fire Control	1,911	468	425	1,840	(71)	-3.7%
4	Professional & Technical	18,265	4,560	3,972	17,607	(658)	-3.6%
5	Training	952	238	532	943	(8)	-0.9%
6	Fire Service Pension costs	2,638	857	797	2,698	59	2.2%
		85,237	21,065	18,382	84,495	(742)	
Premises							
7	Repair and maintenance	1,281	320	707	1,353	72	5.6%
8	Energy costs	1,143	193	175	1,138	(5)	-0.5%
9	Cleaning costs	683	171	461	683	1	0.1%
10	Rent and rates	2,066	611	1,957	2,063	(3)	-0.1%
		5,172	1,295	3,300	5,237	65	
Transport							
11	Repair and maintenance	709	177	116	681	(28)	-3.9%
12	Running costs and insurances	1,285	601	399	1,275	(10)	-0.8%
13	Travel and subsistence	901	179	417	936	35	3.9%
		2,894	957	932	2,892	(2)	
Supplies & Services							
14	Equipment and furniture	4,406	1,102	1,067	4,490	84	1.9%
15	Hydrants-installation and maintenance	246	62	117	321	75	30.4%
16	Communications Equipment	2,851	713	1,914	2,735	(116)	-4.1%
17	Protective Clothing	564	141	90	562	(2)	-0.3%
18	External Fees and Services	178	44	91	177	(1)	-0.3%
19	Partnerships & regional collaborative projects	266	66	94	275	9	3.4%
20	Catering	23	6	2	19	(4)	-17.1%
		8,533	2,133	3,375	8,579	46	
Establishment Costs							
21	Printing, stationery and office expenses	274	116	87	262	(12)	-4.2%
22	Advertising including Community Safety	31	8	16	31	0	0.1%
23	Insurances	548	137	324	552	4	0.7%
		852	261	426	845	(8)	
Payments to Other Authorities							
24	Support service contracts	1,119	244	155	1,120	1	0.1%
		1,119	244	155	1,120	1	
Capital Financing							
25	Loan Charges & Lease rentals	3,807	-	19	3,807	0	0.0%
26	Revenue Contribution to Capital Spending	661	-	-	661	-	0.0%
		4,468	-	19	4,468	0	
Income							
28	Investment Income	(1,200)	(300)	(1,811)	(1,200)	0	0.0%
29	Grants and reimbursements	(13,363)	(3,341)	(7,694)	(13,340)	23	-0.2%
30	Other income	(835)	(209)	154	(847)	(13)	1.5%
		(15,398)	(3,849)	(9,352)	(15,387)	11	
Reserves							
32	Transfer to/(from) Earmarked Reserves	(255)	(64)	-	(255)	-	0.0%
		(255)	(64)	-	(255)	-	
	NET SPENDING	92,622	22,041	17,238	91,993	(629)	-0.7%

- 2.2. Table 2 indicates that spending by the year end (31 March 2025) will be £91.993m, representing a predicted underspend of £0.629m, equivalent to 0.70% of the total budget. It should be noted that 'Spending to month 3' represents actual year to date expenditure and those which have already been committed but not spent as yet. Additionally, the budget profile and actual costs for Service Delivery staff (i.e. Wholetime and On-call) appear low due to the time lag in claiming the hours worked – for instance, time worked in June is paid at the end of July. This naturally catches up at year-end when there are two payroll entries for March relating to claims worked in February and March.
- 2.3. These forecasts are based on the spending position at the end of June 2024, 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. on-call pay costs which are linked to activity levels. It is inevitable, therefore, that final spending figures for the financial year will differ than those projected in this report.
- 2.4. Reporting of variances is based on a percentage of the budget of either 2% for pay lines or 5% for non-pay lines. This is to ensure the narrative is more meaningful and to also hone-in on the major variances as set out below. That said, the Treasurer reserves the right to report on budgets that fall outside of this. (e.g. based on materiality etc.)

Fire Control pay: underspend of £0.071m – 3.7% of budget.

- 2.5. There are 2 vacancies within the Control Room, both of which are forecast to be filled by August 2024, which have resulted in the saving identified.

Professional & Technical pay: underspend of £0.658m – 3.6% of budget.

- 2.6. A number of vacancies across the Service has resulted in this forecasted underspend position. Savings, per Directorate, are:

Professional & Technical Variances	
Directorate	£m
Service Delivery Support	(0.174)
Service Delivery	(0.093)
Other	(0.074)
Corporate Services Support	(0.057)
Corporate Services	(0.133)
Chief Fire Officer	(0.127)
Total	(0.658)

- 2.7. The Service is experiencing competition with recruitment into some specialist roles, specifically within Digital, Data & Technology (DDaT) and People Services, which has contributed towards this forecasted underspend.

Fire Service pension costs: overspend of £0.059m – 2.2% of budget.

- 2.8. Costs associated with injury pensions have risen, greater than we had anticipated, by £5k per month. The number of people eligible has increased from 6 this time in 2023, to 11 to June 2024.

Premises repair and maintenance: overspend of £0.072m – 5.6% of budget

- 2.9. Costs associated with addressing the issues experienced at the Exeter Airport Academy site (£0.082m) have incurred costs that weren't included within the original budget build. These have moved the line into a forecasted overspend position. However, these repairs were necessary and critical to firefighter safety.

Hydrants – installation and maintenance: overspend of £0.075m – 30.4% of budget

- 2.10. As experienced last year, the water companies are clearing backlogs and inspecting more hydrants resulting in additional charges. Despite increasing the budget for this year by £0.050m, it is felt, at this stage, that this line will overspend.

3. RESERVES AND PROVISIONS

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

Reserves

- 3.2. 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, and the amount is greater than the delegated limited allocated to the Treasurer, 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

- 3.3. 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.

- 3.4. A summary of predicted balances on Reserves and Provisions is shown in Table 3 overleaf.

TABLE 3 – FORECAST RESERVES AND PROVISION BALANCES

RESERVES AND PROVISIONS	Balance as at 1 April 2024 £'000	Approved Transfers £'000	Proposed Transfers £'000	Spending Month 3 £'000	Forecasted	
					Forecast Outturn 2024-25 £'000	Balance as at 31 March 2025 £'000
RESERVES						
Earmarked reserves						
Grants unapplied from previous years	(805)	-	-	15	394	(411)
Invest to Improve	(2,196)	-	-	343	1,687	(509)
Budget Smoothing Reserve	(666)	-	-	-	-	(666)
Direct Funding to Capital	(13,765)	-	-	(8)	5,204	(8,561)
Projects, risks, & budget carry forwards	-	-	-	-	-	-
PFI Equalisation	(50)	-	-	-	11	(39)
Emergency Services Mobile Communications Programme	(1,050)	-	-	-	-	(1,050)
Breathing Apparatus Replacement	-	-	-	-	-	-
Mobile Data Terminals Replacement	(144)	-	-	-	144	-
Pension Liability reserve	(1,222)	-	-	-	-	(1,222)
Budget Carry Forwards	(327)	-	-	17	172	(155)
Environmental Strategy	(148)	-	-	7	35	(112)
Control Room System change	(1,125)	-	-	-	-	(1,125)
Fire Cover Review	(40)	-	-	-	-	(40)
MTA Action Plan	(17)	-	-	14	14	(4)
Total earmarked reserves	(21,554)	-	-	388	7,661	(13,893)
General reserve						
General Fund (non Earmarked) Balance	(4,631)	-	-	-	-	(4,631)
Percentage of general reserve compared to net budget						
TOTAL RESERVE BALANCES	(26,185)	-	-	388	7,661	(18,525)
PROVISIONS						
Doubtful Debt	(27)	-	-	-	-	(27)

4. SECTION B – CAPITAL PROGRAMME AND PRUDENTIAL INDICATORS 2024-25

Monitoring of Capital Spending in 2024-25

- 4.1. Table 4 provides a summary of anticipated expenditure for this financial year and demonstrates the funding requirements.

- 4.2. At the end of Quarter 1 of 2024-25, the Service is forecasting to underspend by £0.060m – which includes an optimism bias built in to allow for some timing differences. Timing differences (slippage into next year) are forecast to be £1.000m of which £0.150m relates to the rebuild of Camels Head Fire Station, £0.295m for muster-bay separation, £0.125m for adaptations associated with the Aerial Ladder Platform roll-out and £0.300m for an extension at Bere Alston. £0.050m is relating to a boiler replacement at Yeovil, £0.050m for Fuel Storage at SHQ and £0.030m relating to a possible refurbishment at Paignton.

TABLE 4 – FORECAST CAPITAL EXPENDITURE 2024-25

Capital Programme 2024/25					
	2024/25 £000	2024/25 £000	2024/25 £000	2024/25 £000	2024/25 £000
PROJECT	Revised Budget	Forecast Outturn	Actuals	Timing Differences	Re- scheduling/ (Savings)
Estate Development					
Site re/new build	531	359	(21)	(150)	(22)
Improvements & structural maintenance	4,338	3,421	0	(850)	(67)
Estates Sub Total	4,869	3,780	(21)	(1,000)	(89)
Fleet & Equipment					
Appliance replacement	2,236	2,257	895	0	21
Specialist Operational Vehicles	1,543	1,551	34	0	8
Fleet & Equipment Sub Total	3,779	3,808	929	0	29
Optimism bias	(1,000)	0	0	1,000	0
Overall Capital Totals	7,648	7,588	908	0	(60)
Programme funding					
Earmarked Reserves:	5,167	5,211	0	0	44
Revenue funds:	661	661	0	0	0
Borrowing - internal	1,391	1,391	0	0	0
Contributions	429	325		0	(104)
Total Funding	7,648	7,588	0	0	(60)

Prudential Indicators (including Treasury Management)

- 4.3. Total external borrowing with the Public Works Loan Board (PWLB) as at 30 June 2024 stood at £23.771m and is forecast to reduce to £23.313m as at 31 March 2025. This level of borrowing is well within the Authorised Limit for external debt of £30.862m (the absolute maximum the Authority has agreed as affordable). No new external borrowing is planned in this financial year.

- 4.4. Investment returns in the quarter yielded an average return of 5.25% which outperforms the SONIA 3 Month return (industry benchmark) by 0.05%. It is forecast that investment returns from short-term deposits will match the budgeted figure of £1.2m at 31 March 2025.
- 4.5. Appendix A of this report provides a summary of performance against all of the agreed Prudential Indicators for 2024-25, which illustrates that there is no anticipated breach of any of these indicators.

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

Aged Debt Analysis

- 5.1. Total debtor invoices outstanding as at Quarter 1 were £0.057m table 5 below provides a summary of all debt outstanding as at 30 June 2024.
- 5.2. It is pleasing that none of the outstanding amount is more than 85 days old.

TABLE 5 – OUTSTANDING DEBT AT END OF QUARTER

	Total Value £	%
Current (allowed 28 days in which to pay invoice)	184	0.32%
29-56 days	16,836	29.26%
57-84 days	40,513	70.42%
Over 85 days	0	0%
Total Debt Outstanding as at 30 June 2023	57,535	100.00%

6. **SECTION D – MEDIUM-TERM FINANCIAL PLAN**

- 6.1. The Medium-Term Financial Plan (MTFP) was presented to the Fire Authority on the 16 February 2024 where a number of scenarios were included based on the best, base and worse cases in relation to funding and costs.
- 6.2. The current MTFP identifies the need to reduce the costs for the Service over the next 3 years (2025-26, 2026-27 and 2027-28).
- 6.3. Table 7 overleaf identifies the current position with regards to assumptions made regarding both funding and expenditure.

TABLE 7 – MTFP SHORTFALL FOR THE FOLLOWING 3 YEAR PERIOD.

2. FINANCIAL PLANNING MODELLING			
	2025/26	2026/27	2027/28
CORE REVENUE BUDGET	£97,472,557	£103,106,683	£105,918,329
REVENUE SUPPORT GRANT	£11,901,628	£12,127,759	£12,358,187
TARRIF TOP-UP	£11,550,528	£11,781,538	£12,017,169
NNDR	£5,482,830	£5,592,487	£5,704,336
COUNCIL TAX BASE	647,157	657,512	668,032
ANTICIPATED INCREASE IN CT INCOME RESULTING FROM SECOND HOMES	£1,507,265	£1,507,265	£1,507,265
COUNCIL TAX COLLECTION FUND SURPLUS	£864,551	£873,196	£881,928
COUNCIL TAX - BAND 'D' %	£101.66	£103.68	£105.74
COUNCIL TAX - BAND 'D' 0%	£96.79	£96.79	£96.79
3. SAVINGS REQUIRED TO MEET COUNCIL TAX FIGURE			
REDUCTION REQUIRED TO BASE BUDGET (CUMULATIVE)	(1,883,228)	(4,563,132)	(4,322,167)

- 6.4. An update was reported to the Fire Authority on 11 December 2023 where 4 initiatives were presented and discussed:-
- A change to the Whole Time duty System (Annualised Hours) which is estimated would save £1.3m.
 - Changes to the operating model for specialist rescue – estimated saving of £0.133m.
 - Amendments to the Pay for Availability remuneration agreement which is estimated to save £0.250m, and
 - Amendments to the policy and practice for dealing with unwanted fire signals – estimated saving of £0.069m.
- 6.5. Work on these initiatives is on-going. The emphasis being on the change to the wholetime duty system as this would realise the greater saving.
- 6.6. The MTFP is a dynamic tool that is amended and updated as and when intelligence is presented to the Service with regards to funding and costs. Funding can cover increases in sources such as council tax, national non-domestic rates or Government support. Costs will include items such as inflation or changes to legislation that have an impact.

ANDREW FURBEAR
Head of Finance (Treasurer)

APPENDIX A TO REPORT RC/24/15

PRUDENTIAL INDICATORS 2024-25

Prudential Indicators and Treasury Management Indicators		Forecast Outturn £m	Target £m	Variance (favourable) /adverse £m
Capital Expenditure		7.648	7.588	(0.060)
External Borrowing vs Capital Financing Requirement (CFR) - Total		27.432	27.432	£0.000
- Borrowing		23.312	23.312	
- Other long term liabilities		4.120	4.120	
External borrowing vs Authorised limit for external debt - Total		27.432	30.862	(3.430)
- Borrowing		23.312	26.037	
- Other long term liabilities		4.120	4.825	
Debt Ratio (debt charges as a %age of total revenue budget)		2.82%	5.00%	(2.18)bp
Cost of Borrowing – Total		1.282	1.282	(0.000)
- Interest on existing debt as at 31-3-2024		1.282	1.282	
- Interest on proposed new debt in 2024-25		0.000	0.000	
Investment Income – full year		1.332	0.525	(0.807)
		Actual (30 June 2023) %	Target for quarter %	Variance (favourable) /adverse
Investment Return		5.25%	5.20%	(0.05)bp
Prudential Indicators and Treasury Management Indicators	Forecast (31 March 2024) %	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	1.93%	30.00%	2.00%	(28.01%)
12 months to 2 years	11.30%	30.00%	2.00%	(28.15%)
2 years to 5 years	3.23%	50.00%	14.00%	(36.75%)
5 years to 10 years	4.63%	75.00%	1.00%	(73.89%)
10 years and above	78.91%	100.00%	81.00%	(20.19%)
- 10 years to 20 years	15.57%			
- 20 years to 30 years	23.98%			
- 30 years to 40 years	39.37%			
- 40 years to 50 years	0.00%			

APPENDIX B TO REPORT RC/24/15

DSFRS Reserves in detail	Budget £'000	Committed spend £'000	Forecast spend £'000	Balance remaining £'000
Asset Management & Tracking	142	87	142	-
Attribute Based Response	29	-	-	29
Audit Assurance EMR	11	4	10	2
Availability Systems	162	-	12	150
Budget Smoothing Reserve	666	-	666	-
Capital Support from 2011/12	15,500	-	10,966	4,534
CLG USAR Grant	55	20	55	-
CT Irrecoverable Deficits	489	-	244	245
Digital Trans Strategy	407	216	291	116
Dignity At Work - HMICFRS	178	2	178	-
Environmental Strategy	243	107	243	-
ESMCP (reserve funding)	474	-	10	464
ESMCP Home Office Grant	576	-	-	576
Estate Conditional Survey	60	-	30	30
Future of Work	88	-	88	-
Grenfell Infrastructure grant	38	-	38	-
Haz Mat Det and ID Equip	17	-	17	-
Health and Safety Resource	16	4	15	-
HR Additional Resources	-	-	-	-
ICT Managed Switch Replacement	55	-	55	-
Information Governance FTC	3	3	3	-
Invest to Improve Reserve	417	-	307	110
Learn 2 Live	59	5	20	39
Livery and Blue Light fit out	15	-	15	-
Management of Risk Information	11	-	11	-
MDT Replacement	145	-	145	-
NNDR Additional Reliefs	334	-	334	-
Office 365 Project	58	48	58	-
Pay for availability	61	-	5	56
Pensions Admin Grant c/f	114	-	25	89
Pensions Reserve	1,218	-	150	1,068
People Services System	471	222	579	(108)
Personal Misting Systems	8	0	1	8
PFI equalisation reserve	50	-	-	50
Prev Accred grant c/f	4	0	4	-
Protection uplift grant c/f	43	11	43	-
Bequest Axminster Gym Equip	-	(10)	0	-
Station Mobilising Equipment	380	237	380	-
Temp accom for capital project	92	14	34	58
Topsham Relocation	33	-	20	13
Vehicle Telematics	49	12	36	13
Website Comp and Comms Strat	3	-	-	3
	22,777	984	15,232	7,545

APPENDIX C TO REPORT RC/24/15

DSFRS Reserves in detail	Committed spend £'000	Forecast spend £'000
Fire Protection Training Exter	-	4
External Trainer Hire	2	38
Retained Retainers Old	2	10
Admin/Manage Salary	21	230
Agency Staff Admin	266	251
Admin/Manage Salary NI	2	12
Admin/Manage Salary Superan	4	22
Unforseen Other Contractor	107	196
Refuse Collection loc. sourced	-	1
Rents - Non Building	2	2
Standard Equipment	113	2,259
ICT Desktop Service	-	196
ICT Application Services (Oth)	162	219
ICT Infrastructure Service	46	66
ICT Mobs Service Equipment	237	380
ICT Sat Nav Serv/Vehicle track	12	36
External Prof Support/Advice	18	168
Capital Exp from Rev Account	-	9,364
Other Miscellaneous Income	(10)	-
Transfer to/from Reserves	-	1,778
	984	15,232