

REPORT REFERENCE NO.	RC/18/15
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	5 SEPTEMBER 2018
SUBJECT OF REPORT	FINANCIAL PERFORMANCE REPORT 2018-19 – QUARTER 1
LEAD OFFICER	Director of Finance (Treasurer)
RECOMMENDATIONS	<p><i>(a) That the budget transfers shown in Table 3 of this report be recommended to the Devon & Somerset Fire & Rescue Authority for approval;</i></p> <p><i>(b) That the monitoring position in relation to projected spending against the 2018-19 revenue and capital budgets be noted;</i></p> <p><i>(c) That the performance against the 2018-19 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 2018-19 revenue budget with explanations of the major variations. At this stage in the financial year, it is forecast that spending will be £0.750m less than budget, a saving of 1.02% of total budget.</p>
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 2018-19.
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 2018. As well as providing projections of spending against the 2018-19 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 2018-19

	Key Target	Target	Forecast Outturn		Forecast Variance	
			Quarter 1	Previous Quarter	Quarter 1 %	Previous Quarter %
Revenue Targets						
1	Spending within agreed revenue budget	£73.871m	£73.121m	n/a	1.02%	n/a
2	General Reserve Balance as %age of total budget (minimum)	5.00%	7.19%	n/a	(2.19)bp*	n/a
Capital Targets						
4 3	Spending within agreed capital budget	£6.423m	£6.423m	n/a	(0.00%)	(0.00%)
4	External Borrowing within Prudential Indicator limit	£27.029m	£26.896m	n/a	(0.49%)	(0.00%)
5	Debt Ratio (debt charges over total revenue budget)	5.00%	3.95%	n/a	(1.05)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 2018-19.
- **SECTION B** – Capital Budget and Prudential Indicators 2018-19.
- **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 2018-19

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 £73.121m, representing a saving against the budget of £0.750m equivalent to 1.02% of the total budget. The forecast incorporates the budget virements requested in Table 4 elsewhere within this report.

TABLE 2 – REVENUE MONITORING STATEMENT 2018-19

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY						
Revenue Budget Monitoring Report 2018/19						
Line No		2018/19 Budget	Year To Date Budget	Spending to Month 3	Projected Outturn	Projected Variance over/ (under) £000
		£000	£000	£000	£000	
	SPENDING					
	EMPLOYEE COSTS					
1	Wholetime uniform staff	28,651	7,131	7,029	28,560	(91)
2	On-call firefighters	12,820	2,908	2,408	12,742	(78)
3	Control room staff	1,597	392	350	1,440	(157)
4	Non uniformed staff	10,878	2,713	2,582	10,692	(186)
5	Training expenses	726	256	476	723	(3)
6	Fire Service Pensions recharge	2,703	890	382	2,703	-
		57,375	14,290	13,226	56,859	(516)
	PREMISES RELATED COSTS					
7	Repair and maintenance	1,055	264	470	1,059	4
8	Energy costs	573	97	11	573	-
9	Cleaning costs	458	114	379	502	44
10	Rent and rates	1,747	513	545	1,767	20
		3,833	989	1,404	3,901	68
	TRANSPORT RELATED COSTS					
11	Repair and maintenance	601	219	139	630	29
12	Running costs and insurances	1,204	584	413	1,210	6
13	Travel and subsistence	1,455	277	573	1,439	(16)
		3,260	1,079	1,125	3,279	19
	SUPPLIES AND SERVICES					
14	Equipment and furniture	3,037	759	921	3,116	79
16	Hydrants-installation and maintenance	190	47	22	187	(3)
17	Communications	2,086	521	246	2,096	10
18	Uniforms	644	161	128	663	19
19	Catering	65	16	17	47	(18)
20	External Fees and Services	144	36	37	160	16
21	Partnerships & regional collaborative projects	237	59	95	237	-
		6,401	1,600	1,464	6,504	103
	ESTABLISHMENT COSTS					
22	Printing, stationery and office expenses	306	108	70	283	(23)
23	Advertising	20	5	11	20	-
24	Insurances	356	326	171	356	-
		682	439	252	659	(23)
	PAYMENTS TO OTHER AUTHORITIES					
25	Support service contracts	669	130	128	679	10
		669	130	128	679	10
	CAPITAL FINANCING COSTS					
26	Capital charges	3,802	17	89	3,801	(1)
27	Revenue Contribution to Capital spending	2,084	-	-	2,084	-
		5,886	17	89	5,885	(1)
28	TOTAL SPENDING	78,106	18,544	17,689	77,765	(341)
	INCOME					
29	Investment income	(201)	(50)	21	(201)	-
30	Grants and Reimbursements	(2,300)	(662)	(426)	(2,647)	(347)
31	Other income	(696)	(128)	(181)	(758)	(62)
32	Internal Recharges	(18)	(5)	(10)	(18)	-
33	TOTAL INCOME	(3,215)	(845)	(595)	(3,624)	(409)
34	NET SPENDING	74,891	17,699	17,094	74,141	(750)
	TRANSFERS TO EARMARKED RESERVES					
35	Transfer to (from) Earmarked Reserve	(1,020)	-	(1,020)	(1,020)	-
38	NET SPENDING	73,871	17,699	16,074	73,121	(750)

2.2 These forecasts are based upon the spending position at the end of June 2018, 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 Explanations of the more significant variations from budget (over £50k variance) are explained below.

3. NARRATIVE ON VARIANCES AGAINST BUDGET

3.1 When the 2018-19 budget was set there was uncertainty over the level of pay awards for uniformed staff and therefore a 3% pay award was included. At time of writing, the most recent pay offer is for 2%. Given the offer is yet to be accepted and is an interim position it might be subject to change and therefore the forecast position in this report includes the 3% as budgeted for Wholetime, On Call and Control room staff. There is potential for savings of around £0.350m if the final pay settlement comes in at the lower figure.

Wholetime Staff

3.2 At this stage it is projected that spending on wholetime pay costs will be £0.091m less than budget. The forecast saving is due to a high number of retirements expected during the year, the resulting vacancies will be covered by fixed term contracts with existing on call staff.

On Call Staff

3.3 On Call staffing costs are forecast at £12.742m against a budget of £12.820m, an under spend of £0.078m. Due to the nature of the On Call service, there is potential for the forecast to fluctuate throughout the year. Due to recent success in recruitment it is anticipated that this budget line will remain more stable than in previous years, barring spate conditions.

Control Room Staff

3.4 Savings of £0.157m are expected against the budget for Control staff. When the budget was set, an additional staff member on each shift was included to cover control technology training but this is no longer required.

Non Uniformed Staff

3.5 In- year savings of £0.186m are expected against the budget of £10.878m for Non Uniformed staff. The under spend is as a result of vacancies pending recruitment or being held pending reorganisation.

Equipment and Furniture

3.6 Equipment & Furniture is forecast to be overspent by £0.079m. Of this amount, £0.052m is for thermal imaging cameras and £0.023m for equipment bags – neither of these items were in the original budget but are needed for operational requirements.

Grants and Reimbursements

3.7 Grants & reimbursements - forecasting a positive variance at £0.346m over budget. £0.288m is additional income since the budget was set due to late notifications of changes to National Non-Domestic Rates (NNDR) income and Rural Services Delivery Grant. Additionally, £0.031m of unbudgeted income is included for the inflationary element of the Airwave grant.

Other Income

- 3.8 Other Income is forecast to over recover by £0.062m. £0.030m of this is forecast to come from HeartStart which will off-set the expenditure incurred but contained within budgets. A further £0.014m is due from the Breathing Apparatus Procurement framework agreement.
- 3.9 The Committee is asked to recommend to the Devon & Somerset Fire & Rescue Authority the budget virements (transfers between budget lines) shown in Table 3 below for approval. The transfers are reflected in Table 2 - budget monitoring statement and a narrative behind each budget transfer is provided within the table.

TABLE 3 – BUDGET TRANSFERS

Line Ref	Description	Debit £m	Credit £m
	<i>Transfer of budget for staff and office costs from Business Intelligence Hub to the newly formed Data Architecture and Management Team.</i>		
4	Non-Uniformed Staff	0.279	
5	Training	0.003	
14	Equipment & Furniture	0.004	
22	Publications/Subscriptions	0.001	
4	Non-Uniformed Staff		(0.279)
5	Training		(0.003)
14	Equipment & Furniture		(0.004)
22	Publications/Subscriptions		(0.001)
		0.287	(0.287)
	<i>Maintenance of the New Dimensions assets will no longer be charged or reimbursed through the Service accounts</i>		
30	Grants and Reimbursements	0.273	
12	Vehicle Repair & Maintenance		(0.273)
	<i>It was anticipated at budget setting that the full grant for the National Resilience New Dimensions grant would be received in advance in 2017/18 and transferred to an Earmarked Reserve. Only £129,713 was received in advance, with the remaining £815,586 to be received in year.</i>		
35	Reduce Transfer from Reserves budget	0.816	
30	Increase Grant budget		(0.816)
	<i>The Airwave grant for 2018/19 was budgeted as grant income whereas it was actually received in 2017/18 and transferred to an Earmarked Reserve.</i>		
30	Decrease Grant budget	0.890	
35	Increase Transfer from Reserves budget		(0.890)
		2.265	(2.265)

4. RESERVES AND PROVISIONS

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

Reserves

4.2 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

4.3 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.

4.4 A summary of predicted balances on Reserves and Provisions is shown in Table 4 below. These figures include the changes made to Reserves as a result of the Reserves Strategy which was approved by the Fire Authority on 30 July 2018.

TABLE 4 – FORECAST RESERVES AND PROVISION BALANCES 30 JUNE 2018

RESERVES AND PROVISIONS					Proposed
	Balance as at 1 April 2018 £000	Approved Transfers £000	Spending to Month 03 £000	Forecast Spend 2018-19 £000	Balance as at 31 March 2019 £000
RESERVES					
Earmarked reserves					
Grants unapplied from previous years	(1,376)	-	72	1,021	(354)
Invest to Improve	(6,424)	-	80	391	(6,033)
Budget Smoothing Reserve	(918)	(900)	-	-	(1,818)
Direct Funding to Capital	(16,647)	-	(10)	2,116	(14,531)
Projects, risks, & budget carry forwards					
PFI Equalisation	(295)	-	-	-	(295)
Emergency Services Mobile Communications Programme	(921)	-	5	3	(918)
Breathing Apparatus Replacement	(1,650)	-	-	1,000	(650)
Mobile Data Terminals Replacement	(800)	-	-	800	-
PPE & Uniform Refresh	(504)	-	16	16	(488)
Pension Liability reserve	(1,525)	900	-	593	(32)
National Procurement Project	(215)	-	187	140	(74)
Budget Carry Forwards	(598)	-	141	349	(249)
Commercial Services	(72)	-	-	20	(52)
Total earmarked reserves	(31,944)	-	490	6,448	(25,495)
General reserve					
General Fund balance	(5,315)	-	-	-	(5,315)
Percentage of general reserve compared to net budget					7.19%
TOTAL RESERVE BALANCES	(37,259)			6,448	(30,810)
PROVISIONS					
Fire fighters pension schemes	(754)		-	100	(654)

5. **SUMMARY OF REVENUE SPENDING**

5.1 At this stage early stage in the year, it is forecast that spending will be £0.750m below the budget figure for 2018-19, which is likely to grow if planned pay rises are below the levels budgeted. At the moment, no recommendations are made as the use of these savings.

6. **SECTION B – CAPITAL PROGRAMME AND PRUDENTIAL INDICATORS 2018-19**

Monitoring of Capital Spending in 2018-19

6.1 Table 5 below provides a summary of anticipated expenditure for this financial year and demonstrates the funding requirements.

6.2 At the end of Quarter 1, there is no forecast variance against the capital programme of £6.423m, which has already been revised and approved by the Fire Authority following the year end process.

6.3 At this stage in the year, delivery of £3.313m of Estates and £3.110m of Fleet and Equipment projects are anticipated.

TABLE 5 – FORECAST CAPITAL EXPENDITURE 2018-19

	2018/19 £000	2018/19 £000	2018/19 £000	2018/19 £000
PROJECT	Revised Budget	Forecast Outturn	Timing Differences	Re- scheduling / Savings
Estate Development				
Site re/new build	200	200	0	0
Improvements & structural maintenance	3,113	3,113	0	0
Estates Sub Total	3,313	3,313	0	0
Fleet & Equipment				
Appliance replacement	2,129	2,129	0	0
Community Fire Safety	0	0	0	0
Specialist Operational Vehicles	125	125	0	0
Equipment	583	583	0	0
ICT Department	227	227	0	0
Water Rescue Boats	46	46	0	0
Fleet & Equipment Sub Total	3,110	3,110	0	0
Overall Capital Totals	6,423	6,423	0	0
Programme funding				
Earmarked Reserves:	2,128	2,128	0	0
Revenue funds:	2,384	2,384	0	0
Application of existing borrowing	1,911	1,911	0	0
Total Funding	6,423	6,423	0	0

Prudential Indicators (including Treasury Management)

- 6.4 Total external borrowing with the Public Works Loan Board (PWLB) as at 30 June 2018 stands at £25.631m and is forecast to reduce to £25.584m as at 31 March 2019. This level of borrowing is well within the Authorised Limit for external debt of £27.007m (the absolute maximum the Authority has agreed as affordable). No further external borrowing is planned in this financial year.
- 6.5 Investment returns in the quarter yielded an average return of 0.71% which outperforms the LIBID 3 Month return (industry benchmark) of 0.53%. It is forecast that investment returns from short-term deposits is anticipated to match the budgeted figure of £0.201m by 31 March 2019.
- 6.6 Appendix A provides a summary of performance against all of the agreed Prudential Indicators for 2017-2018, which illustrates that there is no anticipated breach of any of these indicators.

7. SECTION C - OTHER FINANCIAL PERFORMANCE INDICATORS

Aged Debt Analysis

- 7.1 Total debtor invoices outstanding as at Quarter 1 were £652,378, table 6 below provides a summary of all debt outstanding as at 30 June 2018.
- 7.2 Of this figure an amount of £351,904 was due from debtors relating to invoices that are more than 85 days old, equating to 53.9% of the total debt outstanding.

TABLE 6 – OUTSTANDING DEBT AT END OF QUARTER

	Total Value £	%
Current (allowed 28 days in which to pay invoice)	99,526	15.3%
1 to 28 days overdue	59,249	9.1%
29-56 days overdue	157	0.0%
57-84 days overdue	141,541	21.7%
Over 85 days overdue	351,904	53.9%
Total Debt Outstanding as at 30 June 2018	652,378	100.00%

- 7.3 Table 7 below provides further analysis of those debts in excess of 85 days old.

TABLE 7 – DEBTS OUTSTANDING FOR MORE THAN 85 DAYS

	No	Total Value	Action Taken
Name not disclosed.	3	£3,058	This debt results from the vehicle costs of two ex-employees, the debts are being pursued by the Risk and Insurance Officer.

Red One Ltd	37	£347,686	Invoices raised for Services supplied to Red One relating to services provided in 2016/17. Although a repayment plan has been agreed by the Authority, discussions are ongoing with Red One Ltd regarding settlement of the remaining outstanding balance.
Various	3	£517	Invoices with small debtors are being chased using standard procedures and pursued with our debt recovery officer where appropriate.

AMY WEBB
Director of Finance (Treasurer)

APPENDIX A TO REPORT RC/18/15

PRUDENTIAL INDICATORS 2018-19

Prudential Indicators and Treasury Management Indicators		Forecast Outturn £m	Target £m	Variance (favourable) /adverse £m
Capital Expenditure		6.423	6.423	(0.000)
External Borrowing vs Capital Financing Requirement (CFR) - Total		26.793	26.747	£0.046
- Borrowing		25.584	25.538	
- Other long term liabilities		1.209	1.209	
External borrowing vs Authorised limit for external debt - Total		26.793	28.367	(1.574)
- Borrowing		25.584	27,007	
- Other long term liabilities		1.209	1.359	
Debt Ratio (debt charges as a %age of total revenue budget)		3.95%	5.00%	(1.05)bp
Cost of Borrowing – Total		1.084	1.084	(0.000)
- Interest on existing debt as at 31-3-18		1.084	1.084	
- Interest on proposed new debt in 2018-19		0.000	0.000	
Investment Income – full year		0.201	0.201	(0.000)
		Actual (30 June 2018) %	Target for quarter %	Variance (favourable) /adverse
Investment Return		0.71%	0.53%	(0.18)bp
Prudential Indicators and Treasury Management Indicators	Forecast (30 March 2019) %	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	0.36%	30.00%	0.00%	(29.64%)
12 months to 2 years	2.31%	30.00%	0.00%	(27.69%)
2 years to 5 years	4.21%	50.00%	0.00%	(45.79%)
5 years to 10 years	14.95%	75.00%	0.00%	(60.05%)
10 years and above	77.80%	100.00%	50.00%	(22.20%)
- 10 years to 20 years	11.24%			
- 20 years to 30 years	15.61%			
- 30 years to 40 years	49.00%			
- 40 years to 50 years	1.95%			