

REPORT REFERENCE NO.	RC/18/18
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	15 NOVEMBER 2018
SUBJECT OF REPORT	FINANCIAL PERFORMANCE REPORT 2018-19 – QUARTER 2
LEAD OFFICER	Director of Finance (Treasurer)
RECOMMENDATIONS	<p><i>(a) That the budget transfer shown in Table 3 of this report, be approved;</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 second 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 £0.825m less than budget, a saving of 1.12% 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 September 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 2	Previous Quarter	Quarter 2 %	Previous Quarter %
Revenue Targets						
1	Spending within agreed revenue budget	£73.871m	£73.046m	£73.121m	1.12%	1.02%
2	General Reserve Balance as %age of total budget (minimum)	5.00%	7.19%	7.19%	(2.19)bp*	(2.19)bp*
Capital Targets						
4 3	Spending within agreed capital budget	£6.423m	£4.580m	£6.423m	(28.69%)	(0.00%)
4	External Borrowing within Prudential Indicator limit	£27.029m	£26.747m	£26.896m	(1.04%)	(0.49%)
5	Debt Ratio (debt charges over total revenue budget)	5.00%	3.93%	3.95%	(1.07)bp*	(1.05)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 £73.046m, representing a saving against the budget of £0.825m equivalent to 1.12% of the total budget. The forecast incorporates the budget virements requested in Table 3 within this report.

TABLE 2 – REVENUE MONITORING STATEMENT 2018-19

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY						
Revenue Budget Monitoring Report 2018/19						
Line No	SPENDING	2018/19 Budget £000	Year To Date Budget £000	Spending to Month 6 £000	Projected Outturn £000	Projected Variance over/ (under) £000
EMPLOYEE COSTS						
1	Wholetime uniform staff	28,651	14,281	14,092	28,444	(208)
2	On-call firefighters	12,820	6,119	5,419	12,641	(179)
3	Control room staff	1,597	792	695	1,422	(175)
4	Non uniformed staff	10,878	5,433	5,218	10,713	(165)
5	Training expenses	726	513	595	721	(5)
6	Fire Service Pensions recharge	2,703	1,564	1,309	2,706	3
		57,375	28,702	27,329	56,646	(729)
PREMISES RELATED COSTS						
7	Repair and maintenance	1,136	527	652	1,146	10
8	Energy costs	573	241	98	553	(20)
9	Cleaning costs	458	229	404	509	51
10	Rent and rates	1,747	1,027	1,054	1,790	43
		3,914	2,024	2,208	3,998	84
TRANSPORT RELATED COSTS						
11	Repair and maintenance	601	437	348	690	89
12	Running costs and insurances	1,204	771	605	1,221	17
13	Travel and subsistence	1,455	640	1,024	1,482	27
		3,260	1,849	1,977	3,393	133
SUPPLIES AND SERVICES						
14	Equipment and furniture	3,037	1,518	1,456	3,149	112
16	Hydrants-installation and maintenance	190	95	43	183	(7)
17	Communications	2,086	1,043	1,715	2,048	(38)
18	Uniforms	644	322	278	681	37
19	Catering	65	32	29	62	(3)
20	External Fees and Services	144	72	77	158	14
21	Partnerships & regional collaborative projects	237	119	113	237	-
		6,401	3,201	3,712	6,516	115
ESTABLISHMENT COSTS						
22	Printing, stationery and office expenses	306	172	117	339	33
23	Advertising	20	10	20	23	3
24	Insurances	356	336	179	356	-
		682	518	315	718	36
PAYMENTS TO OTHER AUTHORITIES						
25	Support service contracts	669	297	308	678	9
		669	297	308	678	9
CAPITAL FINANCING COSTS						
26	Capital charges	3,802	576	90	3,802	-
27	Revenue Contribution to Capital spending	2,084	0	0	2,084	-
		5,886	576	90	5,886	-
28	TOTAL SPENDING	78,187	37,166	35,939	77,834	(352)
INCOME						
29	Investment income	(201)	(101)	(43)	(278)	(77)
30	Grants and Reimbursements	(2,300)	(1,324)	(1,194)	(2,750)	(450)
31	Other income	(777)	(302)	(395)	(712)	65
32	Internal Recharges	(18)	(9)	(20)	(29)	(11)
33	TOTAL INCOME	(3,296)	(1,735)	(1,652)	(3,768)	(473)
34	NET SPENDING	74,891	35,430	34,287	74,066	(825)
TRANSFERS TO EARMARKED RESERVES						
35	Transfer to (from) Earmarked Reserve	(1,020)	-	(1,020)	(1,020)	-
38	NET SPENDING	73,871	35,430	33,267	73,046	(825)

2.2 These forecasts are based upon the spending position at the end of September 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

Since the last report to the Resources Committee a pay award of 2% has been accepted and paid to Uniformed staff. The forecasts for Wholetime, On Call and Control Room staff have been amended to reflect this.

Wholetime Staff

3.1 At this stage it is projected that spending on wholetime pay costs will be £0.208m less than budget. The forecast saving is mainly due to the saving against budgeted pay award of 1%, there are also 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

3.2 On Call staffing costs are forecast at £12.641m against a budget of £12.820m, an under spend of £0.179m, largely due to savings on pay award. Due to the nature of the On Call service, there is potential for the forecast to fluctuate throughout the year.

Control Room Staff

3.3 Savings of £0.175m 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. Savings on the pay award have also contributed to the under spend.

Non Uniformed Staff

3.4 In- year savings of £0.165m 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.

Cleaning Costs

3.5 Cleaning costs are expected to be £0.051m over budget. This is due to a new cleaning contract being let in the year since the budget was set and reflects cost pressures such as minimum wage inflation.

Transport Repair and Maintenance

3.6 Repair and Maintenance costs are forecast to be £0.089m higher than budget due to an increase in unscheduled repairs and a new requirement to fit out National Incident Liaison Officer vehicles with additional kit. As the Capital Programme progresses and newer vehicles are brought in to service these costs should come down.

Equipment and Furniture

- 3.7 Equipment & Furniture is forecast to be overspent by £0.112m. 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. Replacing the equipment stolen from Dartmouth Fire Station will cost £0.040m and there may be some delay in recovering those costs from insurers (when received that will be credited to other income).

Investment Income

- 3.8 Interest on the Authority's investments is expected to outperform the budget of £0.201m by £0.077m, this is due to careful investment planning by the Finance Team which enables longer term investments to be made with a stronger yield.

Grants and Reimbursements

- 3.9 Grants & reimbursements - forecasting a positive variance at £0.450m 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. A further £0.160m income is expected to be recovered from the secondment of two Officers from the Service to the Data Analytics project, as these are now agreed to the end of the financial year.

Other Income

- 3.10 Other Income is forecast to be £0.065m less than budget. Positive variances of £0.082m due to Procurement Framework income and the Heartstart initiative are offset by under recovery in other areas; most notably co-responding income is predicted at £0.122m below budget due to a change in the category of call outs, Red One recharges are expected to be £0.019m less than budget due to forecast turnover.
- 3.11 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 below.

TABLE 3 – BUDGET TRANSFERS

Line Ref	Description	Debit £m	Credit £m
	<i>Reinvestment of back dated site sharing income to Estate maintenance</i>		
7	Premises Repair and Maintenance	0.081	
31	Other income		(0.081)
		0.081	(0.081)

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 overleaf. 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 SEPTEMBER 2018

RESERVES AND PROVISIONS					
	Balance as at 1 April 2018 £000	Approved Transfers £000	Spending to Month 06 £000	Forecast Spend 2018- 19 £000	Proposed Balance as at 31 March 2019 £000
RESERVES					
Earmarked reserves					
Grants unapplied from previous years	(1,376)	-	14	1,067	(308)
Invest to Improve	(6,424)	-	354	903	(5,521)
Budget Smoothing Reserve	(918)	(900)	-	-	(1,818)
Direct Funding to Capital	(16,647)	-	-	273	(16,374)
Projects, risks, & budget carry forwards					
PFI Equalisation	(295)	-	-	-	(295)
Emergency Services Mobile Communications Programme	(921)	-	35	39	(882)
Breathing Apparatus Replacement	(1,650)	-	215	1,000	(650)
Mobile Data Terminals Replacement	(800)	-	75	798	(2)
PPE & Uniform Refresh	(504)	-	16	31	(473)
Pension Liability reserve	(1,525)	900	-	593	(32)
National Procurement Project	(215)	-	93	127	(88)
Budget Carry Forwards	(598)	-	168	415	(183)
Commercial Services	(72)	-	-	20	(52)
Total earmarked reserves	(31,944)	-	968	5,267	(26,676)
General reserve					
General Fund balance	(5,315)	-	-	-	(5,315)
Percentage of general reserve compared to net budget					7.19%
TOTAL RESERVE BALANCES	(37,259)			5,267	(31,991)
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 £0.875m below the budget figure for 2018-19. Cost pressures arising in year are offset by additional income so the savings are arising from staffing efficiencies and pay settlements. 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 2 there is a forecast timing difference of £1.843m against the capital programme of £6.423m.

6.3 **Estates** £0.100m of timing differences have arisen at the planning stage of the new Brixham station as a result of sewerage issues with South West Water. On the maintenance programme several projects will now be completed in the next financial year, the rebuild of Camel's Head station being the most significant at £0.378m.

6.4

Fleet Several projects are subject to timing differences which means they will now be delivered in 2019/20; £0.400m for eight 4x4 vehicles and £0.125m for a water bowser as a new procurement specification is required; the replacement of two Incident Support Units is now awaiting the result of the Change and Improvement plan at £0.210m.

TABLE 5 – FORECAST CAPITAL EXPENDITURE 2018-19

Capital Programme 2018/19					
Item	PROJECT	2018/19 £000	2018/19 £000	2018/19 £000	2018/19 £000
		Revised Budget	Forecast Outturn	Timing Differences	Re- scheduling / Savings
	Estate Development				
1	Site re/new build	200	100	(100)	0
2	Improvements & structural maintenance	3,113	2,105	(1,008)	0
	Estates Sub Total	3,313	2,205	(1,108)	0
	Fleet & Equipment				
3	Appliance replacement	2,129	1,519	(610)	0
5	Specialist Operational Vehicles	125	0	(125)	0
6	Equipment	583	583	0	0
7	ICT Department	227	227	0	0
8	Water Rescue Boats	46	46	0	0
	Fleet & Equipment Sub Total	3,110	2,375	(735)	0
	Overall Capital Totals	6,423	4,580	(1,843)	0
	Programme funding				
	Earmarked Reserves:				
9	Capital reserve	2,116	273	(1,843)	0
10	USAR - Water Rescue Boats	12	12	0	0
	Earmarked Reserves:	2,128	285	(1,843)	0
	Revenue funds:				
11	Revenue contribution to capital in year	2,084	2,084	0	0
12	Red One contribution to capital	300	300	0	0
	Revenue funds:	2,384	2,384	0	0
14	Application of existing borrowing	1,911	1,911	0	0
	Total Funding	6,423	4,580	(1,843)	0

Prudential Indicators (including Treasury Management)

- 6.5 Total external borrowing with the Public Works Loan Board (PWLB) as at 30 September 2018 stands at £25.584m and is forecast to reduce to £25.537m as at 31 March 2019. This level of borrowing is well within the Authorised Limit for external debt of £27.029m (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 0.86% which outperforms the LIBID 3 Month return (industry benchmark) of 0.61%. It is forecast that investment returns from short-term deposits will surpass the budgeted figure by £0.077m at 31 March 2019.
- 6.6 Appendix A provides a summary of performance against all of the agreed Prudential Indicators for 2018-19, 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 £875,765, table 6 below provides a summary of all debt outstanding as at 30 September 2018.
- 7.2 Of this figure an amount of £558,987 (£351,904 at Quarter 1) was due from debtors relating to invoices that are more than 85 days old, equating to 64.57% (53.9% at Quarter 1) of the total debt outstanding.

TABLE 6 – OUTSTANDING DEBT AT END OF QUARTER

	Total Value £	%
Current (allowed 28 days in which to pay invoice)	0	0.00%
1 to 28 days overdue	193,642	22.37%
29-56 days overdue	45,662	5.27%
57-84 days overdue	67,474	7.79%
Over 85 days overdue	558,987	64.57%
Total Debt Outstanding as at 30 September 2018	865,766	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.	4	£1,305	This debt results from the vehicle costs of an ex-employee (being paid in instalments) and salary overpayments which are subject to instalment plans and 1 x debt recovery procedures
Red One Ltd	45	£553,210	Discussions are ongoing with Red One Ltd regarding settlement of the outstanding balance.
Various	2	£1,147	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/18/18

PRUDENTIAL INDICATORS 2018-19

Prudential Indicators and Treasury Management Indicators		Forecast Outturn £m	Target £m	Variance (favourable) /adverse £m
Capital Expenditure		4.580	6.423	(1.843)
External Borrowing vs Capital Financing Requirement (CFR) - Total		26.746	26.747	(0.001)
- Borrowing		25.537	25.538	
- Other long term liabilities		1.209	1.209	
External borrowing vs Authorised limit for external debt - Total		26.746	28.367	(1.621)
- Borrowing		25.537	27,007	
- Other long term liabilities		1.209	1.359	
Debt Ratio (debt charges as a %age of total revenue budget)		3.92%	5.00%	(1.07)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		0.278	0.201	(0.077)
		Actual (30 Sept 2018) %	Target for quarter %	Variance (favourable) /adverse
Investment Return		0.86%	0.61%	(0.25)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%			