

REPORT REFERENCE NO.	RC/19/16
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	4 SEPTEMBER 2019
SUBJECT OF REPORT	FINANCIAL PERFORMANCE REPORT 2019-20 – QUARTER 1
LEAD OFFICER	Director of Finance and Resourcing (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 2019-20 revenue and capital budgets be noted;</i></p> <p><i>(c) That the performance against the 2019-20 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 2019-20 revenue budget with explanations of the major variations. At this stage in the financial year, it is forecast that spending will be £0.175m less than budget, a saving of 0.23% 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 2019-20.
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 2019. As well as providing projections of spending against the 2019-20 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 2019-20

	Key Target	Target	Forecast Outturn		Forecast Variance	
			Quarter 1	Previous Quarter	Quarter 1 %	Previous Quarter %
Revenue Targets						
1	Spending within agreed revenue budget	£75.142m	£74.967	n/a	(0.23)%	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	Spending within agreed capital budget	£8.813m	£8.287m	n/a	(5.97)%	(0.00)%
3	External Borrowing within Prudential Indicator limit	£26.847m	£26.556m	n/a	(1.08)%	(0.00)%
5	Debt Ratio (debt charges over total revenue budget)	5.00%	4.07%	n/a	(0.93)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 2019-20.
 - **SECTION B** – Capital Budget and Prudential Indicators 2019-20.
 - **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 2019-20**

- 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 £74.967m, representing a saving against the budget of £0.175m equivalent to 0.23% of the total budget. The forecast incorporates the budget virements requested in Table 3 within this report.

TABLE 2 – REVENUE MONITORING STATEMENT 2019-20

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY						
Revenue Budget Monitoring Report 2019/20						
		2019/20 Budget	Year To Date Budget	Spending to Month 3	Projected Outturn	Projected Variance over/ (under) £000
Line No		£000	£000	£000	£000	
	SPENDING					
	EMPLOYEE COSTS					
1	Wholetime uniform staff	30,677	7,749	7,616	30,569	(108)
2	On-call firefighters	14,417	3,293	2,818	14,317	(100)
3	Control room staff	1,419	352	356	1,443	24
4	Non uniformed staff	12,248	2,956	3,004	12,259	11
5	Training expenses	772	193	420	747	(25)
6	Fire Service Pensions recharge	2,658	873	601	2,635	(23)
		62,190	15,416	14,814	61,969	(221)
	PREMISES RELATED COSTS					
7	Repair and maintenance	992	248	361	993	1
8	Energy costs	569	96	51	570	1
9	Cleaning costs	471	118	336	476	5
10	Rent and rates	1,909	558	575	1,930	21
		3,941	1,020	1,323	3,969	28
	TRANSPORT RELATED COSTS					
11	Repair and maintenance	629	157	130	637	8
12	Running costs and insurances	1,318	649	419	1,317	(1)
13	Travel and subsistence	1,290	250	529	1,290	0
		3,237	1,057	1,078	3,244	7
	SUPPLIES AND SERVICES					
14	Equipment and furniture	2,988	736	676	3,010	22
16	Hydrants-installation and maintenance	151	38	31	146	(5)
17	Communications	2,150	537	271	2,148	(2)
18	Uniforms	601	150	84	565	(36)
19	Catering	56	14	15	58	2
20	External Fees and Services	159	40	123	159	0
21	Partnerships & regional collaborative projects	186	47	(34)	213	27
		6,290	1,562	1,167	6,298	8
	ESTABLISHMENT COSTS					
22	Printing, stationery and office expenses	260	93	87	262	2
23	Advertising	23	6	9	40	17
24	Insurances	411	381	192	411	-
		694	479	289	713	19
	PAYMENTS TO OTHER AUTHORITIES					
25	Support service contracts	701	143	143	695	(6)
		701	143	143	695	(6)
	CAPITAL FINANCING COSTS					
26	Capital charges	3,493	8	45	3,536	43
27	Revenue Contribution to Capital spending	2,614	-	-	2,614	-
		6,107	8	45	6,150	43
29	TOTAL SPENDING	83,159	19,684	18,860	83,038	(121)
	INCOME					
30	Investment income	(201)	(50)	63	(272)	(71)
31	Grants and Reimbursements	(6,862)	(1,813)	(4,139)	(6,823)	39
32	Other income	(564)	(126)	(97)	(585)	(21)
33	Internal Recharges	-	-	-	(1)	(1)
34	TOTAL INCOME	(7,627)	(1,989)	(4,173)	(7,681)	(54)
35	NET SPENDING	75,532	17,695	14,687	75,357	(175)
	TRANSFERS TO EARMARKED RESERVES					
36	Transfer to (from) Earmarked Reserve	(390)	-	(918)	(390)	-
38	NET SPENDING	75,142	17,695	13,769	74,967	(175)

2.2. These forecasts are based upon the spending position at the end of June 2019, 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. 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 £0.050m variance) are explained below.

3. NARRATIVE ON VARIANCES AGAINST BUDGET

Wholetime Staff

3.1. At this stage, it is projected that spending on wholetime pay costs will be £0.108m less than budget. The forecast saving is due to a high number of retirements expected during the year, some of the resulting vacancies have been covered by fixed term contracts with existing on call staff with others being held pending the Service Delivery Operating Model consultation.

On Call Staff

3.2. On Call staffing costs are forecast at £14.317m against a budget of £14.417m, an under spend of £0.100m. 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.

Investment Income

3.3. Interest on the Authority's investments is expected to outperform the budget of £0.201m by £0.071m, this is due to careful investment planning by the Finance Team which enables longer term investments to be made with a stronger yield.

3.4. 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. A narrative behind each budget transfer is provided within the table below.

TABLE 3 – BUDGET TRANSFERS

Line Ref	Description	Debit £m	Credit £m
	<i>Transfer of budget relating to the Airwave Grant moving it to match where the income has been credited.</i>		
31	Decrease Grants and Reimbursements	0.949	
36	Increase Transfer to (from) Earmarked Reserve		(0.949)
	<i>An additional amount of grant was received to assist with the impact of the pension costs increase. It is proposed to move this to the Pensions earmarked reserve.</i>		
31	Increase Grants and Reimbursements		(0.559)
36	Increase Transfer to (from) Earmarked Reserve	0.559	
	<i>Savings from the middle management restructure were invested in Prevention and Protection activities, at 2019/20 budget setting funds were held within wholetime pay line. Transfer will move budet to the correct heading</i>		
1	Decrease Wholetime Uniformed Staff		(0.479)
3	Increase Non uniformed staff	0.400	
12	Increase Vehicle Running costs and insurances	0.035	
14	Increase Equipment and furniture	0.044	
	<i>To align on-call pay budgets to match changes to Group structure</i>		
2	Increase on-call budget (Cost Code changes only)	1.029	
2	Decrease on-call budget (Cost Code changes only)		(1.029)
		3.016	(3.016)

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. A reserves strategy is published annually which outlines the purpose of each reserve and expected expenditure over the medium term financial planning period. The reserves strategy is available here:

<http://www.dsfire.gov.uk/AboutUs/WhatWeSpend/documents/ReservesStrategy2019-20.pdf>

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, 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

- 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.
- 4.5 At the end of Quarter 1, reserves expenditure was £2.319m, the majority has been invested in improving the Health and Safety of our staff, with new Breathing Apparatus and Light Weight PPE being delivered in that period.
- 4.6 Reserve balances are expected to reduce over the remainder of the financial year through expenditure on the Safer Together programme and, in particular, digital transformation. The other significant call on reserves is Capital funding, which is consistent with our long-term strategy to reduce reliance on borrowing and dependent on minimal timing differences on the Capital Programme.

TABLE 4 – FORECAST RESERVES AND PROVISION BALANCES 30 JUNE 2019

RESERVES AND PROVISIONS						
	Balance as at 1 April 2019 £000	Approved Transfers £000	Proposed Transfers £000	Spending to Month 03 £000	Forecast Spend 2019-20 £000	Proposed Balance as at 31 March 2020 £000
RESERVES						
Earmarked reserves						
Grants unapplied from previous years	(1,145)	-	949	(47)	(51)	(247)
Invest to Improve	(5,945)	50	-	298	523	(5,372)
Budget Smoothing Reserve	(1,818)	-	-	-	-	(1,818)
Direct Funding to Capital	(19,960)	-	-	-	3,657	(16,303)
Projects, risks, & budget carry forwards						
PFI Equalisation	(295)	-	-	-	-	(295)
Emergency Services Mobile Communications Programme	(932)	-	-	26	32	(900)
Breathing Apparatus Replacement	(1,449)	(50)	-	1,482	1,499	-
Mobile Data Terminals Replacement	(381)	-	-	59	380	(1)
PPE & Uniform Refresh	(480)	-	-	376	387	(94)
Pension Liability reserve	(461)	-	(559)	-	-	(1,020)
National Procurement Project	(90)	-	-	-	-	(90)
Budget Carry Forwards	(603)	-	-	126	265	(338)
Total earmarked reserves	(33,560)	-	390	2,319	6,621	(26,549)
General reserve						
General Fund balance	(5,315)	-	-	-	-	(5,315)
Percentage of general reserve compared to net budget						7.19%
TOTAL RESERVE BALANCES	(38,875)				6,621	(31,864)
PROVISIONS						
Doubtful Debt	(655)	-	-	-	-	(655)
Fire fighters pension schemes	(759)	-	-	-	30	(729)

5. SUMMARY OF REVENUE SPENDING

- 5.1. At this stage early stage in the year, it is forecast that spending will be £0.175m below the budget figure for 2019-20. At the moment, no recommendations are made as the use of these savings.

6. **SECTION B – CAPITAL PROGRAMME AND PRUDENTIAL INDICATORS 2019-20**

Monitoring of Capital Spending in 2019-20

- 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 a forecast timing difference of £0.476m against the capital programme of £8.813m. The timing differences are made up of £0.300m in Estates, where plans to rebuild at Plymstock and removal of a building at Service Headquarters will now be delivered in 2020-21. Replacement of a server will now be deferred following a recommendation by Her Majesty's Inspector of Constabulary and Fire and Rescue Services (HMICFRS) regarding its location. There are also reported rescheduling/savings of £0.050m, representing a contingency for Road Traffic Collision equipment which is no longer required now that Light Rescue Pumps have dedicated equipment.
- 6.3. At this stage in the year, delivery of £4.719m of Estates and £3.568m of Fleet and Equipment projects are anticipated.

TABLE 5 – FORECAST CAPITAL EXPENDITURE 2019-20

Capital Programme 2019/20					
Item	PROJECT	2019/20 £000 Revised Budget	2019/20 £000 Forecast Outturn	2019/20 £000 Timing Differences	2019/20 £000 Re- scheduling / Savings
	Estate Development				
1	Site re/new build	1,117	917	(200)	0
2	Improvements & structural maintenance	3,902	3,802	(100)	0
	Estates Sub Total	5,019	4,719	(300)	0
	Fleet & Equipment				
3	Appliance replacement	1,793	1,793	0	0
5	Specialist Operational Vehicles	1,134	1,134	0	0
6	Equipment	553	503	0	(50)
7	ICT Department	268	92	(176)	0
8	Water Rescue Boats	46	46	0	0
	Fleet & Equipment Sub Total	3,794	3,568	(176)	(50)
	Overall Capital Totals	8,813	8,287	(476)	(50)
	Programme funding				
	Earmarked Reserves:				
9	Capital reserve	4,183	3,657	(476)	(50)
10	USAR - Water Rescue Boats	12	12	0	0
	Earmarked Reserves:	4,195	3,669	(476)	(50)
	Revenue funds:				
11	Revenue contribution to capital in year	2,314	2,314	0	0
12	Red One contribution to capital	300	300	0	0
	Revenue funds:	2,614	2,614	0	0
14	Application of existing borrowing	2,004	2,004	0	0
	Total Funding	8,813	8,287	(476)	(50)

Prudential Indicators (including Treasury Management)

- 6.4. Total external borrowing with the Public Works Loan Board (PWLB) as at 30 June 2019 stands at £25.537m and is forecast to reduce to £25.444m as at 31 March 2020. This level of borrowing is well within the Authorised Limit for external debt of £28.174m (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 0.81% which outperforms the LIBID 3 Month return (industry benchmark) of 0.68%. It is forecast that investment returns from short-term deposits will surpass the budgeted figure by £0.071m at 31 March 2020.
- 6.6. Appendix A provides a summary of performance against all of the agreed Prudential Indicators for 2019-20, 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 £753,063. Table 6 below provides a summary of all debt outstanding as at 30 June 2019.
- 7.2. Of this figure, an amount of £678,650 was due from debtors relating to invoices that are more than 85 days old, equating to 82.1% of the total debt outstanding.

TABLE 6 – OUTSTANDING DEBT AT END OF QUARTER

	Total Value £	%
Current (allowed 28 days in which to pay invoice)	74,525	9.0%
1 to 28 days overdue	45,626	5.5%
29-56 days overdue	8,521	1.0%
57-84 days overdue	20,266	2.4%
Over 85 days overdue	678,650	82.1%
Total Debt Outstanding as at 30 June 2019	827,588	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
Red One Ltd	37	£673,229	A repayment plan has been agreed with the subsidiary company following its revised business plan.
Various	2	£1,774	Invoices with small debtors are being chased using standard procedures and pursued with our debt recovery officer where appropriate.

AMY WEBB

Director of Finance and Resourcing (Treasurer)

PRUDENTIAL INDICATORS 2019-20

Prudential Indicators and Treasury Management Indicators		Forecast Outturn £m	Target £m	Variance (favourable) /adverse £m
Capital Expenditure		8.287	8.813	(0.526)
External Borrowing vs Capital Financing Requirement (CFR) - Total		26.556	26.556	£0.000
- Borrowing		25.444	25.444	
- Other long term liabilities		1.112	1.112	
External borrowing vs Authorised limit for external debt - Total		26.556	26.847	(0.291)
- Borrowing		25.444	25.637	
- Other long term liabilities		1.112	1.209	
Debt Ratio (debt charges as a %age of total revenue budget)		4.07%	5.00%	(0.93)bp
Cost of Borrowing – Total		1.081	1.081	(0.000)
- Interest on existing debt as at 31-3-19		1.081	1.081	
- Interest on proposed new debt in 2019-20		0.000	0.000	
Investment Income – full year		0.278	0.201	(0.077)
		Actual (30 June 2019) %	Target for quarter %	Variance (favourable) /adverse
Investment Return		0.81%	0.68%	(0.13)bp
Prudential Indicators and Treasury Management Indicators	Forecast (30 March 2020) %	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	0.37%	30.00%	0.00%	(29.63%)
12 months to 2 years	2.32%	30.00%	0.00%	(27.68%)
2 years to 5 years	5.66%	50.00%	0.00%	(44.34%)
5 years to 10 years	13.52%	75.00%	0.00%	(61.48%)
10 years and above	77.76%	100.00%	50.00%	(22.24%)
- 10 years to 20 years	12.92%			
- 20 years to 30 years	13.71%			
- 30 years to 40 years	51.13%			
- 40 years to 50 years	0.00%			