

REPORT REFERENCE NO.	RC/19/19
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	21 NOVEMBER 2019
SUBJECT OF REPORT	FINANCIAL PERFORMANCE REPORT 2019-20 – QUARTER 2
LEAD OFFICER	Treasurer to the Authority
RECOMMENDATIONS	<p><i>(a) That the budget transfers 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 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 second 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 £0.508m less than budget, a saving of 0.68% 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 September 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 2	Previous Quarter	Quarter 2 %	Previous Quarter %
Revenue Targets						
1	Spending within agreed revenue budget	£75.142m	£74.634m	£74.967m	0.68%	0.23%
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	Spending within agreed capital budget	£8.813m	£6.865m	£8.287m	(22.10%)	(5.97%)
3	External Borrowing within Prudential Indicator limit	£26.847m	£26.556m	£26.556m	(1.08%)	(1.08%)
5	Debt Ratio (debt charges over total revenue budget)	5.00%	3.90%	4.07%	(1.10)bp*	(0.93)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 £74.634m, representing a saving against the budget of £0.508m equivalent to 0.68% of the total budget. The forecast incorporates the budget virements requested in Table 3 within this report.

TABLE 2 – REVENUE MONITORING STATEMENT 2019-20

EVON & SOMERSET FIRE AND RESCUE AUTHORITY						
Revenue Budget Monitoring Report 2019/20						
		2019/20 Budget	Year To Date Budget	Spending to Month 6	Projected Outturn	Projected Variance over/ (under) £000
Line		£000	£000	£000	£000	
No	SPENDING					
	EMPLOYEE COSTS					
1	Wholetime uniform staff	30,677	12,943	12,710	30,682	5
2	On-call firefighters	13,851	5,701	5,130	13,825	(26)
3	Control room staff	1,419	589	592	1,429	10
4	Professional, Technical and Support Staff	12,248	4,930	5,021	12,219	(29)
5	Training expenses	772	321	467	772	-
6	Fire Service Pensions recharge	2,658	1,315	793	2,502	(156)
		61,624	25,799	24,713	61,428	(196)
	PREMISES RELATED COSTS					
7	Repair and maintenance	992	413	475	993	1
8	Energy costs	569	191	121	540	(29)
9	Cleaning costs	471	195	360	459	(12)
10	Rent and rates	1,909	931	912	1,905	(4)
		3,941	1,730	1,868	3,897	(44)
	TRANSPORT RELATED COSTS					
11	Repair and maintenance	629	262	209	649	20
12	Running costs and insurances	1,283	777	552	1,291	8
13	Travel and subsistence	1,325	465	856	1,396	71
		3,237	1,504	1,618	3,336	99
	SUPPLIES AND SERVICES					
14	Equipment and furniture	2,988	1,227	945	2,833	(155)
16	Hydrants-installation and maintenance	151	63	35	152	1
17	Communications	2,336	1,053	689	2,354	18
18	Uniforms	601	250	157	573	(28)
19	Catering	56	23	26	57	1
20	External Fees and Services	159	66	149	159	-
21	Partnerships & regional collaborative projects	186	78	(23)	211	25
		6,476	2,760	1,978	6,338	(138)
	ESTABLISHMENT COSTS					
22	Printing, stationery and office expenses	260	126	105	272	12
23	Advertising	23	10	13	40	17
24	Insurances	411	387	192	414	3
		694	523	309	726	32
	PAYMENTS TO OTHER AUTHORITIES					
25	Support service contracts	701	217	265	730	29
		701	217	265	730	29
	CAPITAL FINANCING COSTS					
26	Capital charges	3,493	13	42	3,526	33
27	Revenue Contribution to Capital spending	2,614	-	-	2,614	-
		6,107	13	42	6,140	33
29	TOTAL SPENDING	82,779	32,546	30,793	82,595	(185)
	INCOME					
30	Investment income	(201)	(84)	(90)	(272)	(71)
31	Grants and Reimbursements	(6,862)	(2,656)	(4,504)	(6,847)	15
32	Other income	(564)	(225)	(357)	(830)	(266)
33	Internal Recharges	-	-	-	(1)	(1)
34	TOTAL INCOME	(7,627)	(2,965)	(4,951)	(7,950)	(323)
35	NET SPENDING	75,152	29,581	25,842	74,644	(508)
	TRANSFERS TO EARMARKED RESERVES					
36	Transfer to (from) Earmarked Reserve	(10)	-	(918)	(10)	-
38	NET SPENDING	75,142	29,581	24,924	74,634	(508)

- 2.2. These forecasts are based upon the spending position at the end of September 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, 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. 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.
- 3.2. A charge to the pension fund has arisen as a result of misapplication of pension abatement rules for several staff, amounting to £0.320m. This has been offset by vacancies in wholetime pay and can therefore be contained within the revenue budget this year. Officers are seeking a contribution towards these costs from the previous pension administrators.

Fire Service Pensions Recharge

- 3.3. In- year savings of £0.156m are expected against the budget of £2.658m for the Fire Service Pensions Recharge for Ill Health and Injury on Duty pensions. We budgeted for six potential new retirees that would be a charge against the revenue budget. Following consultation with Human Resources, we have reduced this down to one leaver who will attract an injury on duty pension charge this year.

Travel and subsistence

- 3.4. Is forecasting to overspend by £0.071m. The overspend is as a result of 2 reasons; the need to extend leases on specialist vehicles which have been delayed whilst purchased 4x4 vehicles are being rolled out. In addition, there is unclaimable VAT on vehicles that can be used for freedom of movement – where staff, if on-call, are able to use their vehicle in the evenings to ensure a quick response if required.

Equipment and Furniture

- 3.5. Equipment & Furniture is forecast to be underspent by £0.155m. The majority of the underspend is as a result of slippage within the vehicle replacement programme meaning the equipment won't be required until 2020/21 – this has resulted in an underspend of £0.360m. Some of the savings have been used to replace water rescue equipment at a cost of £0.075m. A further £0.051m has funded replacement BA cylinders to harmonize these with £0.030m for 2 end-of-life BA compressors.

Investment Income

- 3.6. 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. However, during the uncertain period surrounding a potential no-deal Brexit, any new investments made have been on a short-term basis only (a maximum of a month) which will impact on yield.

Other Income

- 3.7 Other income is forecasted to over-recover by £0.266m. £0.049m of this is as a result of recovering pay made to a member of staff who also received compensation for loss of earnings from an insurance claim with £0.070m being due to a duplicate creditor entry made at year-end. Since Quarter 1, we are also now forecasting to receive income associated with the Firefighter Apprenticeship scheme of £0.025m – this is a conservative estimate.
- 3.8 The Committee is asked to authorise 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>Movement of budget to different Cost Code to align the budget to the Academy restructure.</i>		
4	Increase Non-Uniformed staff	0.807	
4	Decrease Non-Uniformed staff		(0.807)
	<i>Transfer Budget into an Earmarked Reserve to replace vital station mobilising equipment of £0.380m which is in need of replacement to ensure system security is maintained.</i>		
35	Transfer to Earmarked Reserve	0.380	
2	On-Call Firefighters		(0.380)
		1.187	(1.187)

4. RESERVES AND PROVISIONS

- 4.1. As well as the funds available to the Authority by setting an annual budget, the Authority 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 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 2, reserves expenditure was £2.819m, the majority has been invested in improving the Health and Safety of our staff, with new Breathing Apparatus and Light Weight PPE being delivered this year.

- 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 SEPTEMBER 2019

RESERVES AND PROVISIONS						
	Balance as at 1 April 2019 £000	Approved Transfers £000	Proposed Transfers £000	Spending to Month 06 £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	-	(44)	957	762
Invest to Improve	(5,945)	50	-	654	1,207	(4,689)
Budget Smoothing Reserve	(1,818)	-	-	-	-	(1,818)
Direct Funding to Capital	(19,960)	-	-	-	2,235	(17,725)
Projects, risks, & budget carry forwards						
PFI Equalisation	(295)	-	-	-	-	(295)
Emergency Services Mobile Communications Programme	(932)	-	-	51	107	(825)
Breathing Apparatus Replacement	(1,449)	(50)	-	1,529	1,499	-
Mobile Data Terminals Replacement	(381)	-	-	71	381	(0)
PPE & Uniform Refresh	(480)	-	-	372	384	(96)
Pension Liability reserve	(461)	(559)	-	-	-	(1,020)
National Procurement Project	(90)	-	-	-	90	(0)
Budget Carry Forwards	(603)	-	-	186	352	(251)
Station mobilising equipment	-	-	(380)	-	-	(380)
Total earmarked reserves	(33,560)	390	(380)	2,822	7,213	(26,337)
General reserve						
General Fund balance	(5,315)	-	-	-	-	(5,315)
Percentage of general reserve compared to net budget						7.19%
TOTAL RESERVE BALANCES	(38,875)				7,213	(31,651)
PROVISIONS						
Doubtful Debt	(655)	-	-	-	-	(655)
Fire fighters pension schemes	(759)	-	-	23	30	(729)

5. SUMMARY OF REVENUE SPENDING

- 5.1. At this stage early stage in the year, it is forecast that spending will be £0.508m below the budget figure for 2019-20. In year savings and additional income is providing an opportunity to invest in urgent equipment replacement. At the moment, no recommendations are made as the use of the balance of 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 2 there is a forecast timing difference of £1.776m against the capital programme of £8.813m along with £0.172m of savings.
- 6.3. **Estates** - £1.600m of timing differences are made up of: £0.300m to rebuild Plymstock and removal of a building at SHQ, both of which will now be delivered in 2020-21, £0.300m resulting from a delay in the commencement of works at Brixham (will commence in December 2019) and £1.000m due to a review of requirements for Camelshead Fire Station.
- 6.4. **ICT** - replacement of a server will now be deferred following a recommendation by HMICFRS regarding its location, resulting in a forecasted saving of £0.176m in this year.
- 6.5. **Fleet** – there are rescheduled savings on equipment due to the delay in the delivery of the Medium Rescue Pumps. This amount will be required in 2020/21 financial year when the vehicles are due to be delivered.

TABLE 5 – FORECAST CAPITAL EXPENDITURE 2019-20

Capital Programme 2019/20					
		2019/20 £000	2019/20 £000	2019/20 £000	2019/20 £000
Item	PROJECT	Revised Budget	Forecast Outturn	Timing Differences	Re- scheduling/ Savings
	Estate Development				
1	Site re/new build	1,117	617	(500)	0
2	Improvements & structural maintenance	3,902	2,802	(1,100)	0
	Estates Sub Total	5,019	3,419	(1,600)	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	381	0	(172)
7	ICT Department	268	92	(176)	0
8	Water Rescue Boats	46	46	0	0
	Fleet & Equipment Sub Total	3,794	3,446	(176)	(172)
	Overall Capital Totals	8,813	6,865	(1,776)	(172)
	Programme funding				
	Earmarked Reserves:				
9	Capital reserve	4,183	2,235	(1,776)	(172)
10	USAR - Water Rescue Boats	12	12	0	0
	Earmarked Reserves:	4,195	2,247	(1,776)	(172)
	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
15	Contributions	0	0		0
	Total Funding	8,813	6,865	(1,776)	(172)

Prudential Indicators (including Treasury Management)

- 6.6. Total external borrowing with the Public Works Loan Board (PWLb) as at 30 September 2019 stands at £25.491m 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 £27.029m (the absolute maximum the Authority has agreed as affordable). No further external borrowing is planned in this financial year.
- 6.7. Investment returns in the quarter yielded an average return of 0.85% which outperforms the LIBID 3 Month return (industry benchmark) of 0.66%. It is forecast that investment returns from short-term deposits will surpass the budgeted figure by £0.071m at 31 March 2020.
- 6.8. 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 2 were £800,921, table 6 below provides a summary of all debt outstanding as at 30 September 2019.
- 7.2. Of this figure an amount of £645,011 (£678,650 at Quarter 1) was due from debtors relating to invoices that are more than 85 days old, equating to 80.5% (82.1% 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)	39,221	4.9%
1 to 28 days overdue	53,037	6.6%
29-56 days overdue	61,233	7.6%
57-84 days overdue	2,419	0.4%
Over 85 days overdue	645,011	80.5%
Total Debt Outstanding as at 30 September 2019	800,921	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	45	£639,227	A repayment plan has been agreed with the subsidiary company following its revised business plan.

Various	14	£5,783	Invoices with small debtors are being chased using standard procedures and pursued with our debt recovery officer where appropriate.
---------	----	--------	--------------------------------------------------------------------------------------------------------------------------------------

AMY WEBB
Director of Finance & Resourcing (Treasurer)

APPENDIX A TO REPORT RC/19/19

PRUDENTIAL INDICATORS 2019-20

Prudential Indicators and Treasury Management Indicators		Forecast Outturn £m	Target £m	Variance (favourable) /adverse £m
Capital Expenditure		6.685	8.813	(1.776)
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)		3.90%	5.00%	(1.10)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		0.272	0.201	(0.071)
		Actual (30 Sept 2019) %	Target for quarter %	Variance (favourable) /adverse
Investment Return		0.85%	0.66%	(0.19)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%			