

REPORT REFERENCE NO.	RC/20/13
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	12 OCTOBER 2020
SUBJECT OF REPORT	FINANCIAL PERFORMANCE REPORT 2020-21 – 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 2020-21 revenue and capital budgets be noted;</i></p> <p><i>(c) That the performance against the 2020-21 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 2020-21 revenue budget with explanations of the major variations. At this stage in the financial year it is forecast that spending will be £0.566m less than budget, a saving of 0.73% 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 2020-21.
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 2020. As well as providing projections of spending against the 2020-21 revenue and capital budget, the report also includes forecast performance against other financial performance indicators, including the prudential and treasury management indicators. At this early stage of the financial year, no recommendations are made as to the use of any surplus.
- 1.2. Table 1 below provides a summary of performance against the key financial targets.

TABLE 1 – PERFORMANCE AGAINST KEY FINANCIAL TARGETS 2020-21

	Key Target	Target	Forecast Outturn		Forecast Variance	
			Quarter 1	Previous Quarter	Quarter 1 %	Previous Quarter %
Revenue Targets						
1	Spending within agreed revenue budget	£77.277m	£76.710m	n/a	(0.73%)	n/a
2	General Reserve Balance as %age of total budget (minimum)	5.00%	6.88%	n/a	(1.88)bp*	n/a
Capital Targets						
3	Spending within agreed capital budget	£11.217m	£11.217m	n/a	(0.00%)	(0.00%)
4	External Borrowing within Prudential Indicator limit	£24.850m	£26.787m	n/a	(7.23%)	(0.00%)
5	Debt Ratio (debt charges over total revenue budget)	5.00%	3.99%	n/a	(1.01)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 2020-21.
 - **SECTION B** – Capital Budget and Prudential Indicators 2020-21.
 - **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 2020-21

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. This table indicates that spending by the year end will be £76.710m, representing a saving against the budget of £0.566m equivalent to 0.73% of the total budget. The forecast incorporates the budget virements requested in Table 3 within this report.

TABLE 2 – REVENUE MONITORING STATEMENT 2020-21

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY Revenue Budget Monitoring Report 2020/21						
Line No		2020/21 Budget £000	Year To Date Budget £000	Spending to Month 3 £000	Projected Outturn £000	Projected Variance over/ (under) £000
	SPENDING					
	EMPLOYEE COSTS					
1	Service Delivery Staff	48,937	11,877	10,964	48,643	(294)
3	Professional and technical support staff	13,333	3,327	3,240	13,298	(36)
4	Training investment	670	168	343	483	(187)
5	Fire Service Pension costs	2,489	817	234	2,456	(33)
		65,429	16,189	14,782	64,879	(550)
	PREMISES RELATED COSTS					
6	Repair and maintenance	1,023	256	82	1,023	-
7	Energy costs	575	97	88	574	(1)
8	Cleaning costs	494	123	102	491	(3)
9	Rent and rates	1,990	556	571	2,037	47
		4,082	1,032	843	4,125	43
	TRANSPORT RELATED COSTS					
10	Repair and maintenance	704	176	111	701	(3)
11	Running costs and insurances	1,836	656	351	1,719	(117)
12	Travel and subsistence	905	192	486	807	(98)
		3,444	1,025	948	3,226	(218)
	SUPPLIES AND SERVICES					
13	Equipment and furniture	3,545	886	627	3,545	-
14	Hydrants-installation and maintenance	151	38	3	151	-
15	Communications Equipment	2,347	587	43	2,360	13
16	Protective Clothing	619	155	47	608	(11)
17	External Fees and Services	103	26	3	142	39
18	Partnerships & regional collaborative projects	275	69	77	275	-
19	Catering	56	14	1	53	(3)
		7,095	1,774	801	7,133	38
	ESTABLISHMENT COSTS					
20	Printing, stationery and office expenses	236	91	35	214	(22)
21	Advertising including Community Safety	37	9	12	39	2
22	Insurances	411	381	201	411	-
		683	481	248	663	(20)
	PAYMENTS TO OTHER AUTHORITIES					
23	Support service contracts	709	139	65	727	18
		709	139	65	727	18
	CAPITAL FINANCING COSTS					
24	Loan Charges & Lease rentals	3,493	4	22	3,460	(33)
25	Revenue Contribution to Capital Spending	2,037	-	-	2,037	-
		5,530	4	22	5,497	(33)
26	TOTAL SPENDING	86,974	20,644	17,709	86,252	(722)
	INCOME					
29	Treasury management income	(201)	(50)	94	(272)	(71)
30	Grants and reimbursements	(7,520)	(1,880)	(9,491)	(9,292)	(1,772)
31	Other income	(809)	(202)	(125)	(576)	233
33	TOTAL INCOME	(8,530)	(2,133)	(9,522)	(10,141)	(1,611)
34	NET SPENDING	78,443	18,511	8,187	76,110	(2,333)
35	Transfer to/(from) Earmarked Reserves	(1,167)	-	-	600	1,767
	NET SPENDING	77,277	18,511	8,187	76,710	(566)

- 2.2. These forecasts are based upon the spending position at the end of June 2020, 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 £0.050m variance) are explained below.
- 2.4. This is the first report to Members where we use the new headings for staff incorporating all Service Delivery colleagues together (previously; Wholetime, On-Call and Control). This also now includes anyone employed in a front-line, Service Delivery role such as Prevention and Protection.

3. NARRATIVE ON VARIANCES AGAINST BUDGET

Service Delivery Staff

- 3.1. At this stage it is projected that spending against this line will be £0.294m underspent. The forecast saving is due to the termination of several fixed-term contracts for Wholetime firefighters and the delay, due to the restrictions surrounding Covid, in recruiting to 49.5 vacant posts. The vacancies were held whilst watch numbers were restricted during business continuity. It is assumed that the enhanced On Call pay model, "Pay for Availability", is agreed and implemented by November 2020 so there is a level of uncertainty over this forecast.

Training Investment

- 3.2. Due to the restrictions associated with the Covid pandemic, the ability to train and develop our staff in person has been hindered, causing timing differences of £0.187m. Mitigations such as virtual drill nights were put in place to share information and develop understanding for On Call staff. In line with recovery plans, the Academy recommenced risk-critical training in July 2020 and has plans to ensure that training to keep our staff safe and competent takes place this financial year.

Running Costs and Insurances

- 3.3. This is forecast to underspend by £0.117m. Restrictions on travel coupled with free fuel from BP during the initial pandemic and a reduction in fuel prices have resulted in reduced spend.

Travel and Subsistence

- 3.4. Due to the restrictions on movement of staff and a reduction in travelling to training and events, the Service is forecasting savings against this category of £0.098m.

Investment Income

- 3.5. 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. Due to the low Bank of England rate, there is a risk that investment returns will diminish.

Grants and reimbursements

- 3.6. Forecasting to over recover by £1.772m the majority of which (£1.319m) is the receipt of the Covid-19 grant from Central Government. Rural Services Delivery grant of £0.423m has also been paid, confirmation of this grant had not been received when the 2020/21 budget was set, so was not included.

Other Income

- 3.7. This is forecast to under recover by £0.233m. Of this, £0.143m is from Red One and the temporary cessation of their trading for 2020/21 due to COVID-19. There is an anticipated loss in income of £0.141m associated with the apprenticeship programme hosted by a local college, again, due to the programme being suspended for the time being. However, £0.041m additional income is forecast as a result of provision of drivers to SWAST over the pandemic period. A few minor variations make up the balance.

Transfer to/(from) Earmarked Reserves

- 3.8. When the budget for 2020-21 was set, it was expected that £1.167m of reserves funding would be needed to balance the budget. Due to forecast savings in some areas and additional income, this will no longer be required.
- 3.9. At this stage in the financial year, it is forecast that there will be a net surplus on COVID-19 grant of £0.600m, which is expected to be subject to an Earmarked Reserve request at the year-end. However, due to uncertainty over further COVID response requirements, no recommendation or decision is required at this stage. The forecast is shown for completeness in table 1 as the funding has been provided for a specific purpose not general use.
- 3.10. The Committee is asked to recommend to the Authority the budget virements (transfers between budget lines) shown in Table 3 overleaf 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>Academy restructure move of cost centres - the net effect is nil</i>		
1	Increase Service Delivery staff	1.334	
1	Decrease Service Delivery staff		(1.334)
	<i>IFRS16 Lease accounting for vehicles and property rentals was included in leasing budget as a finance cost but now deferred to 2020-21, so budget remains as a direct cost charge rather than financing cost</i>		
9	Increase Rent and Rates	0.100	
12	Increase Running Costs and Insurances	0.518	
24	Decrease Loan Charges and Lease Rentals		(0.618)
		1.952	(1.952)

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, 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.

TABLE 4 – FORECAST RESERVES AND PROVISION BALANCES

	Balance as at 1 April 2020 £000	Approved Transfers £000	Proposed Transfers £000	Spending to Month 03 £000	Forecast Spend 2020-21 £000	Proposed Balance as at 31 March 2021 £000
RESERVES						
Earmarked reserves						
Grants unapplied from previous years	(383)	-	-	-	311	(72)
Invest to Improve	(4,844)	-	-	1,086	1,775	(3,069)
Budget Smoothing Reserve	(1,818)	1,167	-	-	-	(1,818)
Direct Funding to Capital	(22,308)	-	-	-	5,958	(16,350)
Projects, risks, & budget carry forwards						
PFI Equalisation	(150)	-	-	-	-	(150)
Emergency Services Mobile Communications Programme	(877)	-	-	18	218	(658)
Mobile Data Terminals Replacement	(279)	-	-	-	279	-
PPE & Uniform Refresh	(147)	-	-	59	-	(147)
Pension Liability reserve	(1,423)	-	-	403	403	(1,020)
Environmental Strategy	(308)	-	-	-	-	(308)
Budget Carry Forwards	(960)	-	-	70	708	(251)
Business Continuity (COVID-19 grant)	-	-	(600)	-	-	(600)
Total earmarked reserves	(33,496)	1,167	(600)	1,637	9,651	(24,445)
General reserve						
General Fund balance	(5,316)	-	-	-	-	(5,316)
Percentage of general reserve compared to net budget						6.88%
TOTAL RESERVE BALANCES	(38,812)				9,651	(29,761)
PROVISIONS						
Doubtful Debt	(655)	-	-	-	-	(655)
Fire fighters pension schemes	(659)	-	-	-	27	(632)

5. **SUMMARY OF REVENUE SPENDING**

5.1. At this early stage in the year, it is forecast that spending will be £0.566m below the budget figure for 2020-21. At the moment, no recommendations are made as the use of these savings – it is also worth noting that there are risks associated with a potential second wave of the pandemic.

Covid-19

- 5.2. The Home Office secured funding for the Fire Service to assist with the costs associated with the COVID-19 pandemic. This Service received 2 tranches of grants, one in late 2019/20 of £0.280m, the second early in 2020/21 of £1.319m – a total of £1.599m.
- 5.3. The balance of the initial grant of £0.249m was moved into an Earmarked Reserve at year-end and has now been spent. The forecast of costs attributable to the grant received in 2020/21 can be found in Table 5 below.

TABLE 5 – CORONAVIRUS GRANT

Coronavirus 2019	£000's
<u>Grant funding received (2020/21)</u>	(1.319)
<u>Expenditure</u>	
Staffing	£0.655
Protective Equipment	£0.049
Other Costs	£0.014
Total Additional Costs	£0.718
Balance	(0.601)

SECTION B – CAPITAL PROGRAMME AND PRUDENTIAL INDICATORS 2020-21

Monitoring of Capital Spending in 2020-21

- 6.1. Table 6 overleaf provides a summary of anticipated expenditure for this financial year and demonstrates the funding requirements.
- 6.2. At the end of Quarter 1, we are forecasting to spend to budget – which included an optimism bias built in to allow for some timing differences. In the Estates department, £0.750m to rebuild Plymstock Fire Station will now be spent in 2021 (full planning permission received August 2020).
- 6.3. Due to factory closedown, there is a delay in receiving the replacement fire engines to the value of £2.709m. Discussions are ongoing with the supplier to see if this programme can be accelerated.

TABLE 6 – FORECAST CAPITAL EXPENDITURE 2020-21

	2020/21 £000	2020/21 £000	2020/21 £000	2020/21 £000
PROJECT	Revised Budget	Forecast Outturn	Timing Differences	Re- scheduling / Savings
Estate Development				
Site re/new build	3,557	2,807	(750)	-
Improvements & structural maintenance	5,591	5,591	-	-
Optimism bias	(2,700)	(341)	2,359	-
Estates Sub Total	6,448	8,057	1,609	-
Fleet & Equipment				
Appliance replacement	5,034	2,625	(2,409)	-
Specialist Operational Vehicles	630	330	(300)	-
ICT Department	159	159	-	-
Water Rescue Boats	46	46	-	-
Optimism bias	(1,100)	-	1,100	-
Fleet & Equipment Sub Total	4,769	3,160	(1,609)	-
Overall Capital Totals	11,217	11,217	-	-
Programme funding				
Earmarked Reserves:	7,592	7,579	-	(13)
Revenue funds:	2,097	2,110	-	13
Application of existing borrowing	1,528	1,528	-	-
Total Funding	11,217	11,217	-	-

Prudential Indicators (including Treasury Management)

- 6.4. Total external borrowing with the Public Works Loan Board (PWLb) as at 30 June 2020 stands at £25.444m and is forecast to reduce to £24.821m as at 31 March 2021. This level of borrowing is well within the Authorised Limit for external debt of £27.949m (the absolute maximum the Authority has agreed as affordable). No new external borrowing is planned in this financial year.
- 6.5. Investment returns in the quarter yielded an average return of 0.85% which outperforms the LIBID 3 Month return (industry benchmark) of 0.26%. It is forecast that investment returns from short-term deposits will surpass the budgeted figure by £0.071m at 31 March 2021.

6.6. Appendix A provides a summary of performance against all of the agreed Prudential Indicators for 2020-21, 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 £1.409m table 6 below provides a summary of all debt outstanding as at 30 June 2020.

7.2. Of this figure an amount of £0.829m was due from debtors relating to invoices that are more than 85 days old, equating to 58.9% of the total debt outstanding.

TABLE 7 – OUTSTANDING DEBT AT END OF QUARTER

	Total Value £	%
Current (allowed 28 days in which to pay invoice)	432,698	30.7%
1 to 28 days overdue	24,351	1.7
29-56 days overdue	82,966	5.9%
57-84 days overdue	39,852	2.8%
Over 85 days overdue	828,805	58.9%
Total Debt Outstanding as at 30 June 2020	1,408,672	100.00%

7.3. Table 8 below provides further analysis of those debts in excess of 85 days old.

TABLE 8 – DEBTS OUTSTANDING FOR MORE THAN 85 DAYS

	No	Total Value	Action Taken
Red One Ltd	51	£772,252	A repayment plan for 2020-21 has been agreed with the subsidiary company, which has been revised as a result of COVID-19 and is presented elsewhere on the agenda.
Various	31	£56,552	Invoices with small debtors are being chased using standard procedures and pursued with our debt recovery office where appropriate. This has been hampered through Covid due to unavailability of the debt collection agency.

AMY WEBB
Director of Finance and Resourcing (Treasurer)

APPENDIX A TO REPORT RC/20/

PRUDENTIAL INDICATORS 2020-21

Prudential Indicators and Treasury Management Indicators		Forecast Outturn £m	Target £m	Variance (favourable) /adverse £m
Capital Expenditure		11.217	11.217	(0.000)
External Borrowing vs Capital Financing Requirement (CFR) - Total		26.556	26.556	£0.000
- Borrowing		24.850	24.851	
- Other long term liabilities		1.010	1.010	
External borrowing vs Authorised limit for external debt - Total		25.860	25.861	(0.01)
- Borrowing		24.850	26.787	
- Other long term liabilities		1.010	1.162	
Debt Ratio (debt charges as a %age of total revenue budget)		3.99%	5.00%	(1.01)bp
Cost of Borrowing – Total		1.077	1.077	(0.000)
- Interest on existing debt as at 31-3-20		1.077	1.077	
- Interest on proposed new debt in 2020-21		0.000	0.000	
Investment Income – full year		0.278	0.201	(0.077)
		Actual (30 June 2020) %	Target for quarter %	Variance (favourable) /adverse
Investment Return		0.85%	0.26%	(0.13)bp
Prudential Indicators and Treasury Management Indicators	Forecast (30 March 2021) %	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	1.94%	30.00%	0.00%	(28.06%)
2 years to 5 years	4.11%	50.00%	0.00%	(45.89%)
5 years to 10 years	13.43%	75.00%	0.00%	(61.57%)
10 years and above	77.83%	100.00%	50.00%	(22.17%)
- 10 years to 20 years	14.71%			
- 20 years to 30 years	13.76%			
- 30 years to 40 years	49.36%			
- 40 years to 50 years	0.00%			