

REPORT REFERENCE NO.	RC/21/10
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	9 SEPTEMBER 2021
SUBJECT OF REPORT	FINANCIAL PERFORMANCE REPORT 2021-22 – QUARTER 2
LEAD OFFICER	Director of Finance and Resourcing (Treasurer)
RECOMMENDATIONS	<p>(a) <i>That the monitoring position in relation to projected spending against the 2021-22 revenue and capital budgets be noted;</i></p> <p>(b) <i>That the performance against the 2021-22 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 2021-22 revenue budget with explanations of the major variations. At this stage in the financial year it is forecast that spending will be £0.028m more than budget, an overspend of 0.04% of total budget.</p>
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY RISKS AND BENEFITS ANALYSIS	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	A. Summary of Prudential Indicators 2021-22.
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 2021. As well as providing projections of spending against the 2021-22 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 2021-22

	Key Target	Target	Forecast Outturn		Forecast Variance	
			Quarter 1	Previous Quarter	Quarter 1 %	Previous Quarter %
Revenue Targets						
1	Spending within agreed revenue budget	£74.222m	£74.250m	n/a	0.04%	n/a
2	General Reserve Balance as %age of total budget (minimum)	5.00%	6.80%	n/a	(1.88)bp*	n/a
Capital Targets						
3	Spending within agreed capital budget	£12.608m	£11.816m	n/a	(4.63%)	(0.00%)
4	External Borrowing within Prudential Indicator limit	£25.961m	£24.758m	n/a	(7.23%)	(0.00%)
5	Debt Ratio (debt charges over total revenue budget)	5.00%	4.30%	n/a	(0.70)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 2021-22.
 - **SECTION B** – Capital Budget and Prudential Indicators 2021-22.
 - **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 2021-22

- 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 £74.250m, representing a slight overspend of £0.028m equivalent to 0.04% of the total budget. Please note that the budget profile and actual costs for Service Delivery staff appear low due to the natural delay in claiming the hours worked – for instance, time worked in June is paid in July. This naturally catches up at year-end when there are 2 ‘payroll’ entries for March relating to claims worked in February and March.

TABLE 2 – REVENUE MONITORING STATEMENT 2021-22

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY						
Revenue Budget Monitoring Report 2021/22						
Line No		2021/22 Budget	Year To Date Budget	Spending to Month 3	Projected Outturn	Projected Variance over/ (under) £000
		£000	£000	£000	£000	£000
	SPENDING					
	EMPLOYEE COSTS					
1	Service Delivery Staff	51,769	12,942	11,938	51,769	0
3	Professional and technical support staff	11,195	2,799	2,759	11,195	0
4	Training investment	854	214	459	841	(13)
5	Fire Service Pension costs	2,352	588	606	2,352	-
		66,170	16,543	15,761	66,157	(13)
	PREMISES RELATED COSTS					
6	Repair and maintenance	1,010	253	389	1,010	0
7	Energy costs	578	145	99	590	12
8	Cleaning costs	499	125	350	483	(16)
9	Rent and rates	1,918	480	1,743	1,921	3
		4,005	1,001	2,582	4,005	(0)
	TRANSPORT RELATED COSTS					
10	Repair and maintenance	708	177	117	745	37
11	Running costs and insurances	1,257	314	433	1,259	2
12	Travel and subsistence	1,405	351	548	1,389	(16)
		3,370	843	1,098	3,393	23
	SUPPLIES AND SERVICES					
13	Equipment and furniture	3,567	892	1,300	3,713	146
	Internal Recharges	-	-	-	-	-
14	Hydrants-installation and maintenance	131	33	20	132	1
15	Communications Equipment	2,409	602	1,480	2,314	(95)
16	Protective Clothing	521	130	85	505	(16)
17	External Fees and Services	143	36	39	134	(9)
18	Partnerships & regional collaborative projects	309	77	72	321	12
19	Catering	66	17	11	56	(10)
		7,146	1,787	3,007	7,175	29
	ESTABLISHMENT COSTS					
20	Printing, stationery and office expenses	283	71	83	262	(21)
21	Advertising including Community Safety	34	9	9	32	(2)
22	Insurances	433	108	238	433	0
		750	188	331	727	(23)
	PAYMENTS TO OTHER AUTHORITIES					
23	Support service contracts	715	179	273	714	(1)
		715	179	273	714	(1)
	CAPITAL FINANCING COSTS					
24	Loan Charges & Lease rentals	3,474	869	21	3,472	(2)
25	Revenue Contribution to Capital Spending	2,037	509	-	2,037	-
		5,511	1,378	21	5,509	(2)
26	TOTAL SPENDING	87,667	21,917	23,073	87,680	13
	INCOME					
29	Treasury management income	(100)	(25)	23	(85)	15
30	Grants and reimbursements	(11,998)	(3,000)	(15,980)	(11,988)	10
31	Other income	(835)	(209)	(185)	(846)	(11)
32	Internal Recharges	-	-	-	-	-
33	TOTAL INCOME	(12,933)	(3,233)	(16,141)	(12,918)	15
34	NET SPENDING	74,734	18,684	6,932	74,762	28
	TRANSFERS TO EARMARKED RESERVES					
35	Transfer to/(from) Earmarked Reserves	(512)	(128)	-	(512)	-
		(512)	(128)	-	(512)	-
	NET SPENDING	74,222	18,556	6,932	74,250	28

- 2.2. These forecasts are based upon the spending position at the end of June 2021, 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.

3. **NARRATIVE ON VARIANCES AGAINST BUDGET**

Equipment and Furniture

- 3.1. At this stage it is projected that spending against this line will be £0.028m overspent. This position is due to the increase in the cost of timber used to burn at the Academy to ensure firefighters are trained under realistic conditions. Since March 2021, the cost per sheet has more than doubled. To safeguard against short-term increases, the Academy have bought in-bulk to ensure there is sufficient supplies to cover the requirements for the next 3 months.

Communications Equipment

- 3.2. Is forecasted to underspend by £0.095m. We had budgeted to purchase a Dynamic Coverage Tool, this is no longer required for 2021/22 resulting in a saving of £0.050m. The balance is made up of multiple smaller value items across this category.

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 3 below.

TABLE 3 – FORECAST RESERVES AND PROVISION BALANCES

RESERVES AND PROVISIONS			
	Balance as at 1 April	Forecast Spend	Proposed Balance as at
	2021	2021-22	31 March
	£'000	£000	2022
RESERVES			£000
Earmarked reserves			
Grants unapplied from previous years	(5,244)	3,419	(1,825)
Invest to Improve	(4,351)	1,548	(2,803)
Budget Smoothing Reserve	(1,818)	-	(1,818)
Direct Funding to Capital	(23,270)	7,774	(15,496)
Projects, risks, & budget carry forwards		-	-
PFI Equalisation	(150)	-	(150)
Emergency Services Mobile Communications Programme	(550)	-	(550)
Mobile Data Terminals Replacement	(266)	266	(0)
Pension Liability reserve	(1,231)	-	(1,231)
Budget Carry Forwards	(3,701)	946	(2,755)
Environmental Strategy	(308)	-	(308)
Lightweight/female PPE	(100)	-	(100)
MTA Action Plan	(200)	200	0
Total earmarked reserves	(41,189)	14,153	(27,036)
General reserve			
General Fund (non Earmarked) Balance	(5,282)	-	(5,282)
Percentage of general reserve compared to net budget			6.8%
TOTAL RESERVE BALANCES	(46,472)	14,153	(32,318)
PROVISIONS			
Doubtful Debt	(655)	-	(655)
Fire fighters pension schemes	(659)		(659)

5. **SECTION B – CAPITAL PROGRAMME AND PRUDENTIAL INDICATORS**
2021-22

Monitoring of Capital Spending in 2021-22

- 5.1 Table 4 overleaf provides a summary of anticipated expenditure for this financial year and demonstrates the funding requirements.
- 5.2 At the end of Quarter 1, we are forecasting to underspend by £0.792m – which included an optimism bias built in to allow for some timing differences. In the Estates department, £2.067m identified to refurbish Camels Head Fire Station has been delayed to ensure more intrusive structural work is completed to understand the potential risks regarding the concrete frame. Approvals permitting, we are currently hopeful to be on-site late summer 2022.
- 5.3 Delays in evaluating the type of vehicle required to replace both the aerial ladder platforms and 4X4 medium rescue pumps and extended chassis build times has delayed the order of the chassis' that were planned to be delivered in this year. These will be ordered as soon as the procurement process is complete with a planned delivery in quarter 1 of 2022/23.

TABLE 4 – FORECAST CAPITAL EXPENDITURE 2021-22

Capital Programme 2021/22				
	2021/22 £000	2021/22 £000	2021/22 £000	2021/22 £000
PROJECT	Revised Budget	Forecast Outturn	Timing Differences	Re- scheduling/ Savings
Estate Development				
Site re/new build	2,207	2,207	0	0
Improvements & structural maintenance	5,762	3,250	(2,512)	0
Estates Sub Total	7,969	5,457	(2,512)	0
Fleet & Equipment				
Appliance replacement	6,318	5,838	(480)	0
Community Fire Safety	0	0	0	0
Specialist Operational Vehicles	480	80	(400)	0
ICT Department	409	409	0	0
Water Rescue Boats	32	32	0	0
Fleet & Equipment Sub Total	7,239	6,359	(880)	0
Optimism bias Sub Total	(2,600)	0	2,600	0
Overall Capital Totals	12,608	11,816	(792)	0
Programme funding				
Earmarked Reserves:	8,547	7,755	(792)	0
Revenue funds:	2,037	2,037	0	0
Borrowing - internal	2,024	2,024	0	0
Total Funding	12,608	11,816	(792)	0

Prudential Indicators (including Treasury Management)

- 5.4 Total external borrowing with the Public Works Loan Board (PWLb) as at 30 June 2021 stands at £24.851m and is forecast to reduce to £24.757m as at 31 March 2022. This level of borrowing is well within the Authorised Limit for external debt of £27.244m (the absolute maximum the Authority has agreed as affordable). No new external borrowing is planned in this financial year.

- 5.5 Investment returns in the quarter yielded an average return of 0.15% which outperforms the LIBID 3 Month return (industry benchmark) by 0.19%. It is forecast that investment returns from short-term deposits will under achieve the budgeted figure by £0.015m at 31 March 2022.
- 5.6 Appendix A provides a summary of performance against all of the agreed Prudential Indicators for 2021-22, which illustrates that there is no anticipated breach of any of these indicators.

6. SECTION C - OTHER FINANCIAL PERFORMANCE INDICATORS

Aged Debt Analysis

- 6.1. Total debtor invoices outstanding as at Quarter 1 were £0.963m table 5 below provides a summary of all debt outstanding as at 30 June 2021.
- 6.2. Of this figure an amount of £0.686m was due from debtors relating to invoices that are more than 85 days old, equating to 58.9% of the total debt outstanding.

TABLE 5 – OUTSTANDING DEBT AT END OF QUARTER

	Total Value £	%
Current (allowed 28 days in which to pay invoice)	197,445	21.0%
29-56 days	18,932	2.0%
57-84 days	60,117	6.0%
Over 85 days	686,596	71.0%
Total Debt Outstanding as at 30 June 2020	963,090	100.00%

- 6.3. Table 6 below provides further analysis of those debts in excess of 85 days old.

TABLE 6 – DEBTS OUTSTANDING FOR MORE THAN 85 DAYS

	No	Total Value	Action Taken
Red One Ltd	51	£686,140	A repayment plan for 2021-22 has been agreed with the subsidiary company and is reviewed each quarter.
Various	31	£456	Invoices with small debtors are being chased using standard procedures and pursued with our debt recovery office where appropriate.

SHAYNE SCOTT
Director of Finance and Resourcing (Treasurer)

APPENDIX A TO REPORT RC/21/10

PRUDENTIAL INDICATORS 2021-22

Prudential Indicators and Treasury Management Indicators		Forecast Outturn £m	Target £m	Variance (favourable) /adverse £m
Capital Expenditure		11.816	12.609	(0.792)
External Borrowing vs Capital Financing Requirement (CFR) - Total		25.961	25.961	£0.000
- Borrowing		24.758	24.758	
- Other long term liabilities		0.907	0.907	
External borrowing vs Authorised limit for external debt - Total		25.665	25.665	(0.01)
- Borrowing		24.758	26.189	
- Other long term liabilities		0.907	1.056	
Debt Ratio (debt charges as a %age of total revenue budget)		4.30%	5.00%	(0.70)bp
Cost of Borrowing – Total		1.054	1.054	(0.000)
- Interest on existing debt as at 31-3-20		1.054	1.054	
- Interest on proposed new debt in 2021-22		0.000	0.000	
Investment Income – full year		0.085	0.100	0.015
		Actual (30 June 2021) %	Target for quarter %	Variance (favourable) /adverse
Investment Return		0.15%	(0.04%)	(0.19)bp
Prudential Indicators and Treasury Management Indicators	Forecast (31 March 2022) %	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	0.38%	30.00%	2.00%	(29.63%)
12 months to 2 years	1.98%	30.00%	2.00%	(28.06%)
2 years to 5 years	12.65%	50.00%	13.00%	(45.89%)
5 years to 10 years	3.45%	75.00%	3.00%	(61.57%)
10 years and above	79.55%	100.00%	80.00%	(22.17%)
- 10 years to 20 years	14.93%			
- 20 years to 30 years	20.12%			
- 30 years to 40 years	44.50%			
- 40 years to 50 years	0.00%			