

REPORT REFERENCE NO.	RC/21/16
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	30 NOVEMBER 2021
SUBJECT OF REPORT	FINANCIAL PERFORMANCE REPORT 2021-22 – QUARTER 2
LEAD OFFICER	Director of Finance and Resourcing (Treasurer)
RECOMMENDATIONS	<i>That the report be noted.</i>
EXECUTIVE SUMMARY	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 2021-22 revenue budget with explanations of the major variations. At this stage in the financial year it is forecast that spending will be £0.514m less than budget, an underspend of 0.69% of total budget.
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 second quarterly financial monitoring report for the current financial year, based upon the position as at the end of September 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 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 2	Previous Quarter	Quarter 2 %	Previous Quarter %
Revenue Targets						
1	Spending within agreed revenue budget	£74.222m	£73.709m	£74.250m	0.69%	0.04%
2	General Reserve Balance as %age of total budget (minimum)	5.00%	6.80%	6.80%	(1.88)bp*	(1.88)bp
Capital Targets						
3	Spending within agreed capital budget	£12.693m	£7.835m	£11.816m	(38.27%)	(4.63%)
4	External Borrowing within Prudential Indicator limit	£25.961m	£24.758m	£24.758m	(7.23%)	(7.23%)
5	Debt Ratio (debt charges over total revenue budget)	5.00%	4.30%	4.3%	(0.70)bp*	(0.70)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 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 £73.709m, representing a slight underspend of £0.514m equivalent to 0.69% of the total budget.

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 6	Projected Outturn	Projected Variance over/ (under) £'000
		£'000	£'000	£'000	£'000	
	SPENDING					
	EMPLOYEE COSTS					
1	Service Delivery Staff	51,769	25,659	25,654	51,558	(211)
3	Professional and technical support staff	11,193	5,597	5,747	11,264	70
4	Training investment	854	427	607	691	(163)
5	Fire Service Pension costs	2,352	1,176	985	2,395	43
		66,168	32,858	32,993	65,907	(260)
	PREMISES RELATED COSTS					
6	Repair and maintenance	1,010	505	623	1,010	(0)
7	Energy costs	578	289	198	650	72
8	Cleaning costs	499	250	398	486	(13)
9	Rent and rates	1,921	961	1,816	1,929	8
		4,009	2,004	3,034	4,076	67
	TRANSPORT RELATED COSTS					
10	Repair and maintenance	708	354	234	730	21
11	Running costs and insurances	1,257	629	597	1,240	(17)
12	Travel and subsistence	1,402	701	989	1,409	7
		3,368	1,684	-	3,379	10
	SUPPLIES AND SERVICES					
13	Equipment and furniture	3,642	1,821	2,032	3,881	239
14	Hydrants-installation and maintenance	131	66	27	116	(15)
15	Communications Equipment	2,403	1,202	1,737	2,293	(110)
16	Protective Clothing	521	261	211	524	2
17	External Fees and Services	139	69	50	136	(3)
18	Partnerships & regional collaborative projects	320	160	116	332	12
19	Catering	66	33	20	49	(17)
		7,223	3,612	4,191	7,330	107
	ESTABLISHMENT COSTS					
20	Printing, stationery and office expenses	265	133	116	245	(20)
21	Advertising including Community Safety	34	17	26	33	(0)
22	Insurances	434	217	238	433	(1)
		732	366	-	711	(21)
	PAYMENTS TO OTHER AUTHORITIES					
23	Support service contracts	733	367	399	718	(15)
		733	367	-	718	(15)
	CAPITAL FINANCING COSTS					
24	Loan Charges & Lease rentals	3,474	1,737	440	3,472	(2)
25	Revenue Contribution to Capital Spending	2,037	1,019	-	2,037	-
		5,511	2,756	440	5,509	(2)
26	TOTAL SPENDING	87,744	43,646	41,958	87,629	(115)
	INCOME					
29	Treasury management income	(100)	(50)	(19)	(85)	15
30	Grants and reimbursements	(9,151)	(4,576)	(3,696)	(9,152)	(1)
31	Other income	(912)	(456)	(632)	(1,324)	(412)
33	TOTAL INCOME	(10,163)	(5,082)	(4,348)	(10,562)	(399)
34	NET SPENDING	77,581	38,565	37,610	77,067	(514)
	TRANSFERS TO EARMARKED RESERVES					
35	Transfer to/(from) Earmarked Reserves	(3,359)	(1,679)	-	(3,358)	-
		(3,359)	(1,679)	-	(3,358)	-
	NET SPENDING	74,222	36,885	-	73,709	(514)

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

Service Delivery Staff

- 3.1. Is forecasted to underspend by £0.211m. Higher costs for on-call for Month 6 has reduced the forecasted underspend as at Month 5 which was £0.448m. An anticipated reduction in pre-arranged overtime resulting from the new recruits course has reduced the anticipated requirement for this method of station cover.

Professional and Technical Support Staff.

- 3.2. Is forecast to overspend by £0.070m. A slight overspend within the Academy (Driving Instructor) has contributed towards this slight overspend. This was a conscious decision to bolster the team to enable them to catch-up on needed driving courses.

Training Investment

- 3.3. Is forecast to underspend by £0.163m. Covid has restricted the number of courses available for the first part of the year. Therefore, the Academy is reviewing the priority of the courses (in terms of availability) which has resulted in a predicted under spend. Two examples are Wildfire at £0.045m and Fire Investigation £0.037m.

Energy Costs

- 3.4. Is forecast to overspend by £0.072m. The increase in wholesale costs for electricity have pushed this line to a predicted overspend position.

Equipment and Furniture

- 3.5. Is forecast to overspend by £0.239m. An increase in timber costs associated with the wood used at the Academy is anticipating to overspend by £0.091m. Added to this, the equipment required to kit-out the new Medium Rescue Pumps which were delayed in 2020/21 has resulted in an anticipated overspend of £0.100m. The balance made up of numerous small variances.

Communications Equipment

- 3.6. Is forecast to underspend by £0.110m. There was budget in this year to purchase a Dynamic Coverage Tool, this is no longer required for 2021/22 resulting in a saving of £0.050m. Mobile telephones costs are forecast to save £0.020m against budget and the radio network costs are looking to underspend by £0.043m

Other income

- 3.7. Is forecast to overcover by £0.412m. The continued support to South West Ambulance Service Trust (SWAST) has created additional income that was unbudgeted - the current forecast is for £0.318m for the year. Coupled with this, USAR are expected to deliver an additional £0.034m of income related to training they provide. Procurement is also forecasting to generate an additional £0.060m of income from the use of their call-off contracts.

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

	Balance as at 1 April 2021 £'000	Approved Transfers £'000	Proposed Transfers £'000	Spending so far £'000	Forecast Outturn 2021-22 £'000	Proposed Balance as at 31 March 2022 £'000	
RESERVES AND PROVISIONS							
RESERVES							
Earmarked reserves							
Grants unapplied from previous years	(4,526)	-	-	354	4,055	(471)	
Invest to Improve	(3,897)	100	-	1,032	1,933	(1,964)	
Budget Smoothing Reserve	(1,818)	-	-	-	-	(1,818)	
Direct Funding to Capital	(23,270)	(100)	-	-	3,774	(19,496)	
Projects, risks, & budget carry forwards	-	-	-	-	-	-	
PFI Equalisation	(150)	-	-	-	-	(150)	
Emergency Services Mobile Communications Programme	(1,347)	-	-	18	53	(1,293)	
Mobile Data Terminals Replacement	(266)	-	-	60	266	(0)	
Pension Liability reserve	(1,231)	-	-	-	200	(1,031)	
Budget Carry Forwards	(3,459)	-	-	217	1,196	(2,263)	
Environmental Strategy	(308)	-	-	29	129	(179)	
MTA Action Plan	(200)	-	-	44	200	(0)	
Total earmarked reserves	(40,471)	-	-	1,754	11,806	(28,665)	
General reserve							
General Fund (non Earmarked) Balance	(5,282)	-	-	-	-	(5,282)	
Percentage of general reserve compared to net budget							6.8%
TOTAL RESERVE BALANCES	(45,753)	-	-	1,754	11,806	(33,948)	
PROVISIONS							
Doubtful Debt	(655)	-	-	-	-	(655)	
Fire fighters pension schemes	(659)	-	-	-	-	(659)	

SECTION B – CAPITAL PROGRAMME AND PRUDENTIAL INDICATORS 2021-22

Monitoring of Capital Spending in 2021-22

- 5.1 Table 4 below provides a summary of anticipated expenditure for this financial year and demonstrates the funding requirements.
- 5.2 At the end of Quarter 2, the Service is forecasting to underspend by £4.916m. In the Estates department, £3.786m 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, the Service is currently hopeful to be on-site late summer 2022. Delays have also been encountered at Bridgwater, a roof at one of the Academy sites, Bere Alston and Paignton which make up the difference.
- 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 2 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	2021/22 £000
PROJECT	Revised Budget	Forecast Outturn	Actuals	Timing Differences	Re- scheduling/ Savings
Estate Development					
Site re/new build	2,207	2,290	989	0	83
Improvements & structural maintenance	5,762	1,976	203	(3,786)	0
Estates Sub Total	7,969	4,266	1,192	(3,786)	83
Fleet & Equipment					
Appliance replacement	6,403	5,923	3,530	(480)	0
Community Fire Safety	0	0	0	0	0
Specialist Operational Vehicles	480	87	54	(400)	7
ICT Department	409	159	0	(250)	0
Water Rescue Boats	32	0	0	0	(32)
Fleet & Equipment Sub Total	7,324	6,169	3,584	(1,130)	(25)
Estates Optimism bias	(1,400)	0	0		0
Fleet Optimism bias	(1,200)	0	0		0
Optimism bias Sub Total	(2,600)	0	0	0	0
Overall Capital Totals	12,693	10,435	4,776	(4,916)	58
Programme funding					
Earmarked Reserves:	8,632	3,774	0	(4,916)	58
Revenue funds:	2,037	2,037	0	0	0
Borrowing - internal	2,024	2,024	0	0	0
Total Funding	12,693	7,835	0	(4,916)	58

Prudential Indicators (including Treasury Management)

- 5.4 Total external borrowing with the Public Works Loan Board (PWLB) as at 30 September 2021 stands at £24.804m and is forecast to reduce to £24.758m 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 0.20%. 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.

5. SECTION C - OTHER FINANCIAL PERFORMANCE INDICATORS

Aged Debt Analysis

- 6.1. Total debtor invoices outstanding as at Quarter 2 were £0.963m table 5 below provides a summary of all debt outstanding as at 30 September 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)	272,332	27.1%
29-56 days	14,796	1.5%
57-84 days	39,028	3.9%
Over 85 days	677,393	67.5%
Total Debt Outstanding as at 30 September 2021	921,066	100.00%

- 6.3. Table 6 overleaf 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	£652,353	A repayment plan for 2021-22 has been agreed with the subsidiary company and is reviewed each quarter.
Various	13	£24,793.	Invoices with small debtors are being chased using standard procedures and pursued with our debt recovery office where appropriate.

SHAYNE SCOTT
Director of Finance & Resourcing (Treasurer)

APPENDIX A TO REPORT RC/21/16

PRUDENTIAL INDICATORS 2021-22

Prudential Indicators and Treasury Management Indicators		Forecast Outturn £m	Target £m	Variance (favourable) /adverse £m
Capital Expenditure		7.835	12.693	(4.858)
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 31-3-21		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 Sept 2021) %	Target for quarter %	Variance (favourable) /adverse
Investment Return		0.15%	(0.05%)	(0.20)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%			