

Financial Performance to December 2017

Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 258915 or Joanne Coadey, Head of Finance, on 01743 260215.

1 Purpose of Report

This report provides information on the financial performance of the Service, and seeks approval for action, where necessary.

2 Recommendations

The Committee is asked to recommend that the Fire Authority:

- a) Note the position of the revenue budget;
- b) Approve virements to the revenue budget, where requested, and
- c) Note performance against prudential indicators to date in 2017/18.

3 Background

This report presents a review of financial performance to date for 2017/18, and covers the monitoring of revenue budgets and the review of treasury management activities, including prudential indicators.

4 Revenue Budget

Monitoring has continued on the revenue budgets for 2017/18, and the position to December can now be reported as follows.

	(Over) / Under spend £'000	% of Budget
<u>Service Delivery</u>		
Area Command Whole time Watches Final forecasts based on current watch establishment give a total underspend of £470k for 17/18. £300k of which has been declared previously. This reflects the average monthly headcount of 125 against a budgeted establishment of 136	170	3%
Secondments to Projects A proportion of the underspend above can be offset by various secondments throughout the year	(68)	(1%)
Overtime Earlier in the year £90k underspend was removed from the overtime budget. This expenditure is now required as the flexible rostering shift pattern has brought all overtime spend concentrated in the third quarter of the financial year and at higher than budgeted levels due to the watch deficiencies	(98)	(64%)
Retained Firefighters – Turnouts Higher than budgeted spends will bring annual overspend of £15k	(15)	(5%)
Retained Firefighters – Additional Hours Additional hours spent training, on station maintenance and administrative tasks are higher than budgeted levels.	(30)	(7%)
Retained Support Officers Vacancy for part year brings underspend of £35k	35	15%
Development salaries Flexi officer cover for part year gives overspend of £13k	(13)	(20%)
Training salaries Additional Group Manager, offset with Area Manager vacancy for part year brings net overspend of £20k	(20)	(12%)

<u>Executive and Resources</u>		
Finance Salaries Flexible working requests have generated an underspend of £20k	20	18%
Resources salaries Water and Supplies Officer posts vacant for part year	30	48%
Repairs and Maintenance Roofing works on Shrewsbury appliance bay necessitated by new doors will cost £72k in total. £21k is to be met from Capital with the remainder to be funded from Building Maintenance Reserve	(51)	(20%)
Laundry & Repairs Overspend due to increasing number of repairs required on aging fire kit, a through inspections regime identifying the need for repairs and a rise in the number of jobs necessitating the launder of kit	(25)	(63%)
Uniform and Clothing Purchase of uniform for the "Celebration of Success" and new items required following officer promotions has brought overspend of £20k	(20)	(19%)
Vehicle Parts Four major breakdowns requiring outsourced repairs have brought an overspend of £30k	(30)	(37%)
<u>Corporate Services</u>		
Planning and Performance Salaries Service Intelligence Manager and GI Analyst vacancies give underspend of £15k	15	22%
Human Resources Salaries Conversion of Development Manager post to Development Officer gives underspend of £15k with Equality and Diversity staff saving of £30k	45	13%
ICT Salaries Unfilled vacancies for full and part year have brought an underspend of £70k	70	18%
Pensions Administration SLA Budget has not been increased permanently to reflect the increased cost of administering the four firefighter pension schemes.	(38)	(422%)
Total	(23)	

Variances within the limits of delegated powers include (£10k) Retained Duty System Retaining Fee, (£10k) Retained Duty System Drills, £7k I Learn Initiatives, £10k Inspecting Officer (CM) in Business Fire Safety, £10k BFS Overtime, £10k Control LGPS, £10k ACFO vacancy, (£8k) Subscriptions, £10k Corporate Support Salaries and (£10k) for Executive Leadership training.

It is proposed that, unless specified, variances will be transferred to individual contingencies, where they will be managed with future variances.

Service Transformation Programme

Costs of staff seconded to projects within the Service Transformation Programme total £245k to the end of December 2017.

Funds are available for these staff costs, within the Service Transformation Programme Staff Reserve. Members are requested to approve the transfer of funds from reserves into the revenue budget.

5 2017/18 Prudential Indicators

In line with CIPFA's Prudential Code for Capital Finance, the Treasurer is required to establish procedures to monitor performance against all forward looking prudential indicators and, in particular, that net external borrowing does not (except in the short term) exceed the requirement to borrow for capital purposes.

The Fire Authority has established that it will receive regular monitoring reports during the year; the position to the end of December is shown below.

Capital Financing Requirement (£3.888m)

This is the amount required by the Authority to fund its capital investment. This includes all capital investment expected to be made this year, less any contributions from revenue or grant.

Authorised Limit for External Debt (£6.888m)

The Authorised Limit represents the amount required to fund the Authority's capital financing, plus a provision for temporary borrowing, should the receipt of revenue money be delayed, although this should happen very rarely. Borrowing currently stands at £5.698m, well within the indicator. No temporary borrowing has been necessary.

Operational Boundary (£5.698m)

The Boundary represents the capital investment entered into by the Authority, including any loans to be taken during the year. Unlike the Authorised Limit, this may be exceeded, although this would require some investigation.

Current Investments

Funds currently invested are shown below:

Debt Management Office	£1.00m
Santander	£2.00m
Handelsbanken	£1.35m
Barclays	£1.00m
Lloyds	£2.00m
Nationwide Building Society	£2.00m
Southampton City Council	£1.00m
London Borough of Hounslow	£1.50m
Eastleigh Borough Council	£2.00m
Leeds City Council	£2.00m
Highland Council	£1.00m
Surrey Heath Borough Council	£1.50m
Telford and Wrekin Council	£1.00m
Dumfries and Galloway Council	£1.50m
Nat West	£0.27m
Total	£21.120m

The Authority's Treasury advisors view other local authorities as safe counterparties as they are unlikely to go bust.

Handelsbanken is a Swedish bank which remains on the Authority's current acceptable counterparties list for investment.

The target rate of return on investments made at the Council is slightly higher than the similar target set for the Fire Authority. This is because the Council invests with a number of institutions that are not included in the Authority's confirmed lending list, which is aligned to each body's strategy. In addition, the Council would lend for longer periods than the Authority, although we are now allowing lending for up to six months.

The interest on investments earned to the end of September is £69,196 – an average rate of return of 0.35%.

6 Financial Implications

The financial implications are as set out in the main body of the report.

7 Legal Comment

There are no direct legal implications arising from this report.

8 Initial Impact Assessment

An Initial Impact Assessment has been completed.

9 Appendices

There are no appendices attached to this report.

10 Background Papers

There are no background papers associated with this report.