

Financial Performance to July 2019

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.

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 2019/20.

3 Background

This report presents a review of financial performance to date for 2019/20 and encompasses the monitoring of revenue budgets and the review of treasury management activities, including prudential indicators.

4 Revenue Budget

Monitoring has begun on the revenue budgets for 2019/20, and the current position of the revenue budget at the end of July is shown on the attached appendix.

The schedule reports the budget and expenditure for pay and non-pay in each directorate area – Executive, Service Delivery and Corporate Governance. Expenditure on pay budgets is 30% on average; the spend to date on salaried staff would be 33%, however areas such as on call firefighters and overtime payments would be a month behind as these activities are paid for in the

following month. There are also underspends to report on wholetime firefighters and these are detailed later.

In terms of non pay budgets, average spend across all budgets is 27%. Some areas may not have incurred high levels of spend to date (corporate finance budgets, training, legal), where others may have already paid annual maintenance or support contracts (subscriptions, ICT contracts, equipment maintenance).

The table below details several variances where budgetary adjustments are required. Once approved, these will be reflected in the budgets shown on the directorate summary and this will ensure that realistic budgeting can take place for the remainder of the year.

	(Over) / Under spend £'000	(Over) / Under spend % of Budget
Service Delivery		
Area Command Wholetime Fire Fighters (Watches) An underspend to date can be reported; current budgets are based on a headcount of 136, with an establishment of 128. Budgets are due to be adjusted by savings from shift patterns in 2020/21.	150	2.5%
RDS Fire Control Spend to date of £2k against £40k budget. Continued spends at these levels will give a total annual underspend of £35k	35	88%
Executive		
Resources The budget in this area includes savings from Fleet Manager post deletion – this will be rescoped as the budgets are set for 2020/21 A shared procurement post with Telford & Wrekin Council is currently vacant.	18 12	5% 4%
Professional Subscriptions The current budget is not sufficient for the levels of subscriptions now payable, which include National Fire Chiefs Council fees and Shropshire Safeguarding boards. This will be reviewed and adjusted as part of the budget setting process.	(30)	(88%)

	(Over) / Under spend £'000	(Over) / Under spend % of Budget
Interest on Investments Return on the Authority's investments has increased in the last two years and budget levels should reflect this increase – this will be adjusted as the base budget is reviewed.	50	100%
	235	1%

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

Pay and Price Contingency – pay award for operational staff and Control staff has not yet been allocated, therefore no balance on the contingency can be reported.

Virements that have been approved using powers delegated to the Chief Fire Officer, Treasurer and Head of Finance include additional funding for upgrade to CFRMIS fire safety management system (£4k), contributions from the Training Reserve for mental health first aid training (£10k) and a staff engagement survey (£9k) and a contribution from the Service Transformation Staff Reserve for fire safety secondment and upskilling (18k).

5 2019/20 Prudential Indicators

In line with the Chartered Institute for Public Finance and Accountancy'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 July is shown below.

Capital Financing Requirement (£3.595m)

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 (£6.595m)

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 invested at 31/07/19 are shown below:

Debt Management Office	£3.2m
Cornwall Council	£2.0m
Handelsbanken	£2.0m
Santander	£2.0m
Barclays	£2.0m
Lloyds	£2.0m
Nationwide	£2.0m
Bury Council	£2.0m
London Borough of Hounslow	£2.0m
Coventry Building Society	£1.0m
Thurrock Council	£1.6m
Total	£21.8m

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 July is £52,157 – an average rate of return of 0.86% against a target rate of 0.57%.

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 Appendix

Revenue Budget Directorate Summary

10 Background Papers

There are no background papers associated with this report.

**Shropshire and Wrekin Fire Authority
Directorate Summary 2019/20**

Appendix to report on
Financial Performance to July 2019
Shropshire and Wrekin Fire and Rescue Authority
Strategy and Resources Committee
12 September 2019

Directorate	Budget	Spend	Committed	Balance	% Spent
Executive and Resources					
Pay					
Finance	804,472	245,993		558,479	31%
Resources	520,130	165,383		354,747	32%
Other					
Executive	110,986	77,538	0	33,448	70%
Finance	389,753	-1,062,176	4,631	1,447,298	-271%
Pensions	304,120	93,263	0	210,857	31%
Facilities	1,075,095	89,995	410,748	574,352	47%
Equipment and Uniform	411,315	142,607	4,644	264,064	36%
Hydrants	117,738	-43,224	0	160,962	-37%
Fleet Management	291,324	109,320	0	182,004	38%
Workshops	164,213	79,417	10,544	74,252	55%
Total Budget	3,384,674	-101,883	430,567	3,860,461	10%
Service Delivery					
Pay					
Area Command	10,520,307	3,234,538		7,285,769	31%
Prevention	907,185	315,044		592,140	35%
Operations	520,365	155,448		364,917	30%
Control	724,256	224,565		499,692	31%
Training and Development	1,016,352	378,012		638,340	37%
Other					
Prevention	71,059	14,232	0	56,827	20%
Retained Recruitment	5,000	240	29	4,731	5%
Operations	20,000	7,428	0	12,572	37%
Health & Safety	4,200	2,316	165	1,719	59%
Training	179,561	31,934	0	147,627	18%
ESMCP	0	-59,067	0	59,067	
Total Budget	13,968,285	4,304,689	194	9,663,401	31%
Corporate Governance					
Pay					
Human Resources and Development	348,417	112,524	0	235,893	32%
Corporate Services	309,514	101,206		208,308	33%
Planning and Performance	322,679	93,315		229,364	29%
ICT	390,715	106,517		284,198	27%
Other					
Human Resources and Occ Health	188,033	69,138	0	118,895	37%
Development	185,445	69,492	4,900	111,053	40%
Equality and Diversity	20,900	4,380	0	16,520	21%
Corporate Communications	24,000	907	0	23,093	4%
Insurance	306,742	329,737	0	-22,995	
Members	86,136	22,179	0	63,957	26%
Legal and Administration	37,460	3,718	0	33,742	10%
Service Transformation Programme	10,500	0	0	10,500	0%
ICT	1,035,351	832,144	86,349	116,857	89%
Total Budget	3,265,893	1,745,257	91,249	1,429,386	56%
Pay and Prices Contingency	855,757	0	0	855,757	0%
Non Pay Budgets	5,038,931	815,519	522,010	3,701,402	27%
Pay Budgets	16,384,392	5,132,544	-	11,251,847	31%
Total	22,279,080	5,948,063	522,010	15,809,007	29%