

## Financial Performance to December 2018

### 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 2018/19.

#### 3 Background

This report presents a review of financial performance to date for 2018/19, 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 2018/19, and the position to December can now be reported.

The way in which items are procured, managed and maintained within the Service has changed over the last few years, and this has resulted in additional expenditure in some service areas. However, the associated revenue budgets do not yet reflect this change in procurement, and a review is being undertaken to identify the changes required.

Officers will be present at the meeting to provide more context around these changes and the overspends detailed in the paper.

	<b>(Over) / Under spend £'000</b>	<b>% of Budget</b>
<b><u>Service Delivery</u></b>		
<p><b>Area Command Overtime</b> Additional 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</p>	(130)	(2%)
<p><b>Secondments to Projects</b> It is necessary to apportion some of the underspend previously reported on wholetime shifts to various secondments throughout the year. This includes residual spend on the team seconded to ESMCP, where available grant has now been used.</p>	(142)	(3%)
<p><b>Training</b> A high number of promotions and a change in training instructors during the financial year has led to increased costs for training courses</p>	(37)	(1%)
<p><b>Training</b> A high number of promotions and a change in training instructors during the financial year has led to increased costs for training courses</p>	(20)	(1%)
<b><u>Executive and Resources</u></b>		
<p><b>Resources salaries</b> Water Officer posts vacant for the year</p>	40	100%
<p><b>Laundry &amp; Repairs</b> An ageing personal protective equipment stock and a more stringent repair and decontamination regime has led to increasing costs in this area. The budget for 2019/20 has been increased to address this issue and a full review of budget provision for future years is to be undertaken.</p>	(39)	(66%)
<p><b>Uniform and Clothing</b> The age of protective clothing has resulted in an increasing amount of replacement firekit. In addition, this financial year has seen a large recruitment of both wholetime (16) and retained (28) firefighters, with a cost per recruit of £2k.</p> <p>The Service will review all costs associated with protective equipment to ensure appropriate cost and funding until the planned firekit replacement in 2021/22.</p>	(26)	(25%)

<p><b>Vehicle Parts</b> Expenditure has been increasing over time, driven by the increasing complexity of appliances and parts. In addition, many previously mechanical systems are overlaid with electronic control and monitoring devices, and diagnosis of faults requires specialist dealers. This change in the way vehicles are maintained has not impacted upon appliance reliability but is not currently reflected in the budget, which will be subject to a full review in 2019/20.</p>	(63)	(81%)
<p><b>Tyres</b> New legislation has resulted in a number of tyres on fire appliances requiring replacement. This will increase expenditure this year but is unlikely to continue.</p>	(30)	(167%)
<p><b>Income</b> No income earned from SFRMS</p>	(50)	100%
<b><u>Corporate Services</u></b>		
<p><b>ICT Salaries</b> Unfilled vacancies for full and part year have brought an underspend of £30k</p>	30	18%
<p><b>ICT</b> Additional expenditure on computer software has resulted in an overspend in this area</p>	(35)	(12%)
<p><b>Pensions</b> There has been a further refund following incorrect taxing of benefits – a full exercise was undertaken to correct previous payments in 2017/18. It is proposed that this is taken from the Pensions Reserve</p>	(36)	(-)
<p><b>Budget shortfall ill health pensions</b> Payment of ill health pensions and injury awards has exceeded budgeted levels. Revenue budget to be reviewed and updated.</p>	(28)	(11)
<b>Total</b>	<b>(566)</b>	

Variations and additional expenditure within the limits of delegated powers include (£17k) firefighting gloves, (£17k) mental health support, (£46k) recruit training, (£35k) software development, (£29k) defibrillator replacement, (£30k) fitness equipment.

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

## 5 2018/19 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 December is shown below.

### **Capital Financing Requirement (£3.353m)**

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 (£6.353m)**

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:

Coventry City Council	£1.00m
Santander	£2.00m
Handelsbanken	£2.00m
Barclays	£1.00m
Lloyds	£2.00m
Bury Council	£2.00m
Eastleigh Borough Council	£2.00m
Highland Council	£2.00m
Surrey Heath Borough Council	£2.00m
Telford and Wrekin Council	£2.00m
Dumfries and Galloway Council	£1.00m
<b>Total</b>	<b>£19.00m</b>

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 December is £126,105 – an average rate of return of 0.61%.

## **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.