

## Financial Performance to December 2016

### Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 255011 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 2016/17.

#### 3 Background

This report presents a review of financial performance to date for 2016/17, and encompasses 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 2016/17, and the position to December can now be reported as follows.

|  | <b>(Over) /<br/>Under<br/>spend<br/>£'000</b> |
|--|---|
| <b><u>Service Delivery</u></b>   |   |
| <b>Area Command</b>  |   |
| <b>Whole time Watches</b>  |   |
| Final forecasts based on current watch establishment give a further underspend of £90k this is offset by expenditure of £65k on seconded staff and ICT costs, £25k is to be met by this budget and £25k from IRMP funding. | 50  |
| <b>Firefighters Pension Scheme</b>   | 60  |
| Greater numbers of staff at the lower employer contribution rate and scheme opt outs have brought an underspend of £60k  |   |
| <b>Overtime – Public Holidays</b>  | 17  |
| Now all statutory holidays have been accounted for a balance of £17k remains.  |   |
| <b>Operations</b>  | (15)  |
| <b>Contribution to National Operational Guidance</b>   |   |
| No budget currently exists for this annual charge from the Chief Fire Officers Association   |   |
| <b><u>Executive and Resources</u></b>  |   |
| <b>Resources</b>   |   |
| <b>Salaries</b>  |   |
| Procurement/Contracts Officer post vacant for part year  | 25  |
| <b>Contract Cleaning</b>   |   |
| Savings on the cleaning contract give an underspend of £25k  | 25  |
| <b>Electricity</b>   |   |
| Price reductions have brought costs lower than previous years  | 17  |
| <b>Gas</b>   |   |
| Levels of spending considerably lower than previous years due to less sites on Gas and heating efficiencies at HQ  | 55  |
| <b>Waste Disposal</b>  |   |
| Veolia contract savings bring costs below budgeted levels  | 10  |
| <b>Workshops and Fleet</b>   |   |
| <b>Diesel</b>  |   |
| Reduced prices are expected to give underspend of £25k   | 25  |
| <b>Income</b>  |   |
| <b>Shropshire Fire Risk Management Services</b>  | (50)  |
| No recharge can be invoiced this year against budget of £50k   |   |

|  | <b>(Over) /<br/>Under<br/>spend<br/>£'000</b> |
|--|---|
| <b><u>Corporate Services</u></b>   |   |
| <b>Planning and Performance Salaries</b><br>Systems Administration Posts and Project Support Officer vacant for part year  | 28  |
| <b>Corporate Support Salaries</b><br>Corporate Services Manager vacancy for part year  | 40  |
| <b>Human Resources Salaries</b><br>Conversion of Development Manager post to Development Officer gives underspend of £15k with Equality and Diversity staff saving of £35k   | 50  |
| <b>ICT Salaries</b><br>The continuation of the Transformation Programme has used specialist staff on short-term contracts to deliver bespoke products which have improved the availability of information and efficiency of decision making and information sharing. The future work planned is reducing and so this level of spend will reduce significantly. Following Strategy and Resources Committee feedback in 2016 alternative resourcing was considered and the Service Management Team approved a Graduate programme last year which is due for evaluation in June 2017 and aims to fill vacant posts we have struggled with through 'growing our own' so this has been an investment as the roles have had to be filled by Contractors in the short-term. | (80)  |
| <b>ICT</b><br>A thorough piece of work has been undertaken to analyse the current baseline ICT costs reflecting the demands of new software, hardware and ways of working and the associated ongoing costs resulting from the transformation activity. For example we are now required to pay hosting costs (revenue) where we may have previously been running systems locally using capital allocation. This work will allow us to correctly profile and manage requests and approvals for any additional spend in 17/18.  | (100)   |
| <b>Total</b>   | <b>157</b>                                    |

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 £223k to the end of December 2016. These costs include ICT support and SharePoint development.

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 2016/17 Prudential Indicators

In line with the Chartered Institute of 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 (£3.888m)**

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:

|  |                |
|--|----------------|
| Santander                              | £2.00m         |
| Handelsbanken                          | £1.19m         |
| Barclays                               | £2.00m         |
| Lloyds                                 | £2.00m         |
| Nationwide                             | £2.00m         |
| Salford City Council                   | £1.80m         |
| London Borough of Barking and Dagenham | £1.50m         |
| Merthyr Tydfil County Borough Council  | £1.10m         |
| Nottingham City Council                | £2.00m         |
| Blackpool Council                      | £1.50m         |
| Coventry Building Society              | £1.00m         |
| Telford and Wrekin Council             | £2.00m         |
| <b>Total</b>                           | <b>£20.09m</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.

## **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.