

Financial Performance to July 2022

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 2022/23.

3 Background

This report presents a review of financial performance to date for 2022/23 and covers the monitoring of revenue budgets and the review of treasury management activities, including prudential indicators.

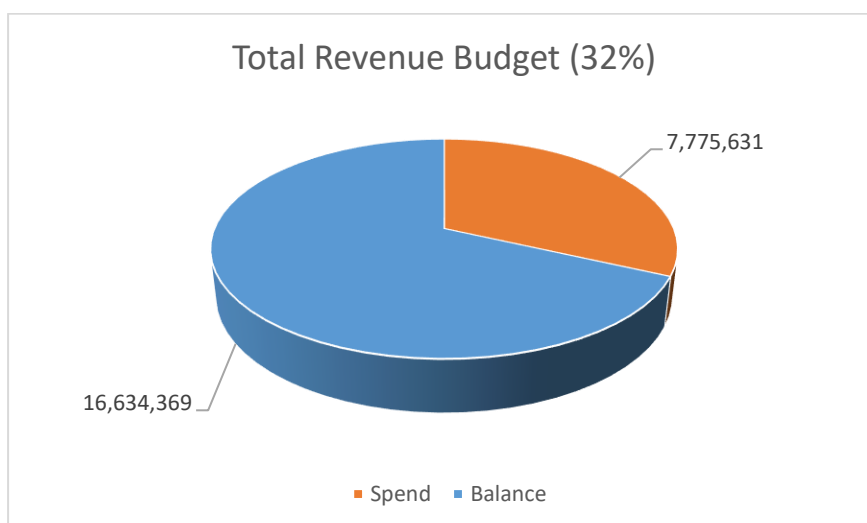
4 Revenue Budget

The Fire Authority approved a 2022/23 revenue budget of £24.410m in February 2022, split into three service areas:

- Executive and Resources
- Service Delivery
- Corporate Governance

Each of these areas has a pay budget and a non pay budget, and these are monitored with budget holders on a monthly basis.

Monitoring has begun on the revenue budgets for 2022/23, and a summary of the total position is shown below.

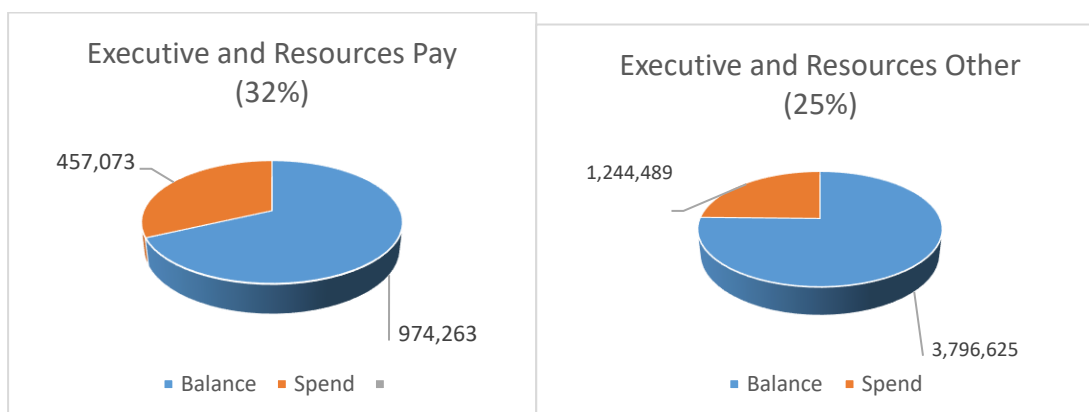


Expenditure on pay budgets is 33% on average; this is in line with estimated spend at this point in the year. Areas such as on call firefighters and overtime payments would be a month behind as these activities are paid for in the following month; however, there are also a number of officers who have been seconded to complete projects in other organisations, and these costs will be recharged.

In terms of non pay budgets, average spend across all budgets (removing grant income) is 13%. Some areas may not have incurred high levels of spend to date, for example the corporate finance budgets, while others may have already paid annual maintenance or support contracts (subscriptions, ICT contracts, equipment maintenance).

The graphs below illustrate spend to date across each of the service areas.

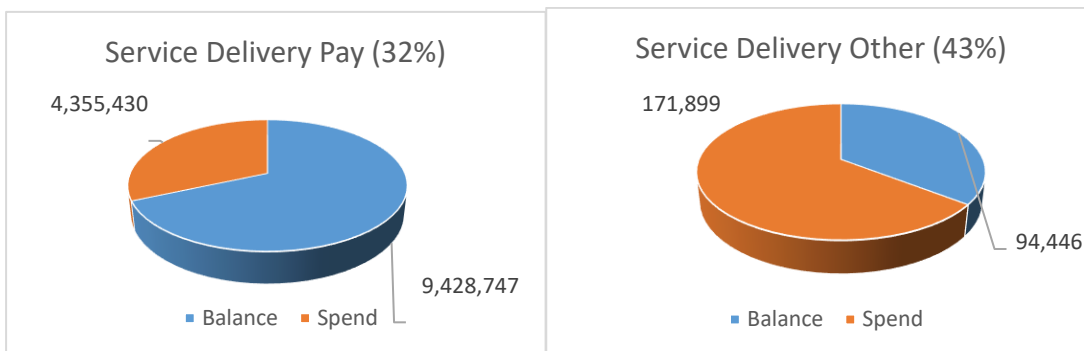
Executive and Resources



Other - A number of subscriptions have been fully paid, and rates bills across all sites are also paid. Maintenance work has been carried out at Tweeddale.

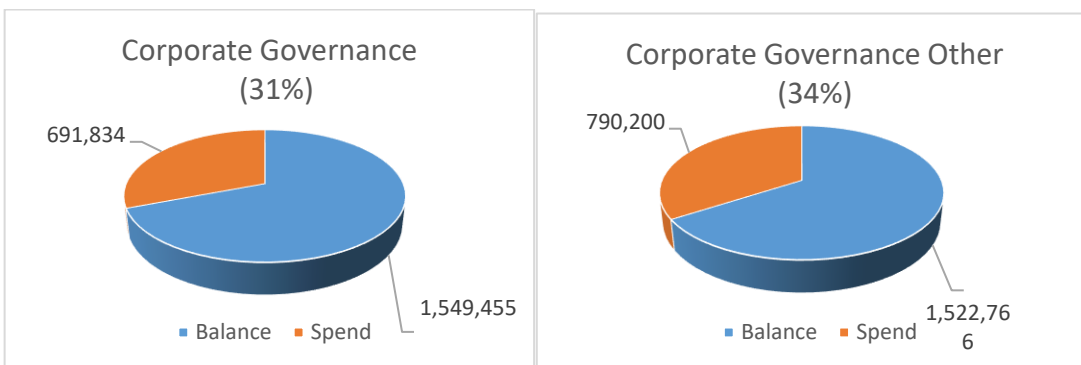
Spend is steady in the resources budgets; some corporate finance costs will have no spend until later in the year.

Service Delivery



Other – there has been some expenditure relating to the ESMCP project; this will be covered by transfer of government grant.

Corporate Governance



Other – some annual ICT costs, such as ongoing maintenance and support agreements, have been paid.

The position to July can now be reported with exceptions identified shown in the following table:

	(Over) / Under spend £'000	% of Budget
<u>Service Delivery</u>		
Watches – a number of fixed term contracts are now in place to cover long term sickness absence and secondments	(35)	1%
Overtime – the overspend in this area is currently running over budgeted levels. This is due to Area Command running under establishment for the first two months of the year, and also cover being required for training courses and Covid absences. Overtime activity is being monitored and reported to senior management on a monthly basis.	(70)	85%
<u>Executive and Resources</u>		
Debt charges – no borrowing has yet been undertaken, therefore a saving can be reported	200	15%
<u>Corporate Governance</u>		
ICT pay – there are savings here due to vacancies in the department	24	6%
Total	119	

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

Virements that have been approved using powers delegated to the Chief Fire Officer, Treasurer and Head of Finance are as follows:

- Administration for the fire prevention system (£15,000)
- Expansion of the fitness advisor role (£22,000)
- Consultancy services for ICT, business intelligence and service development departmental review (£30,000)
- Procurement of thermal imaging cameras (£28,000)
- Running costs for additional appliances in Training (£13,000)
- Procurement of operational equipment and repairs to specialist vehicle (£10,000)
- Temporary resources from reserves to support the On Call Sustainability project (£59,000)
- Fixed term secondment of EDI officer to support roll out of training to operational staff (£78,000)

- Implementation costs of replacement fleet management system in Workshops (£8,000)
- Improvements to training facilities at Shrewsbury station (£12,000)

Pay Award and inflationary Pressures

Members will be aware of the increasing inflationary pressures that are currently affecting the economy, both in terms of employee pay and procurement of goods and other services.

The Fire Authority agreed contingencies in 2022/23 of 3% for pay and 4.2% for prices, and actual increases are likely to be higher than these estimates.

Pay awards for staff conditioned to both the Grey and Green books are yet to be finalised, and it is not yet known if there will be any financial assistance from the Treasury for these increases, should they be higher than original estimates. However, current and future budgets will need to be scrutinised to factor in the consequences of such increases.

It should be remembered that the Service's 'basket of goods' is different to the typical purchases made generally, and the extent of inflation on Service purchases is being established currently with officers, particularly regarding energy, ICT, operational equipment and maintenance, and training.

The impact of these increases on current and future budgets will be reported to members as and when they occur.

5 2022/23 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 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 2022 is shown below.

Capital Financing Requirement (£10.508m)

This is the amount required by the Authority to fund its capital investment and has increased due to the anticipated borrowing for Telford and other capital schemes. This includes all capital investment expected to be made this year, less any contributions from revenue or grant.

Authorised Limit for External Debt (£13.508m)

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 £5.418m, well within the indicator. No temporary borrowing has been necessary.

Operational Boundary (£10.508m)

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 Building Society	£1.00m
Santander	£2.00m
Handelsbanken	£0.20m
Barclays	£2.00m
Debt Management Office	£8.40m
Nationwide Building Society	£0.80m
Nat West	£2.00m
Total	£16.40m

The Authority's Treasury advisors view other local authorities as safe counterparties as they are unlikely to go bust, however Treasury staff monitor any issues very closely.

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

The interest on investments earned to the end of December is £62,981 – an average rate of return of 0.79%.

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.