

Financial Performance to July 2021

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;
- c) Note and approve changes to the capital programme, and
- d) Note performance against prudential indicators to date in 2021/22.

3 Background

This report presents a review of financial performance to date for 2021/22, and encompasses the monitoring of revenue budgets and the review of treasury management activities, including prudential indicators.

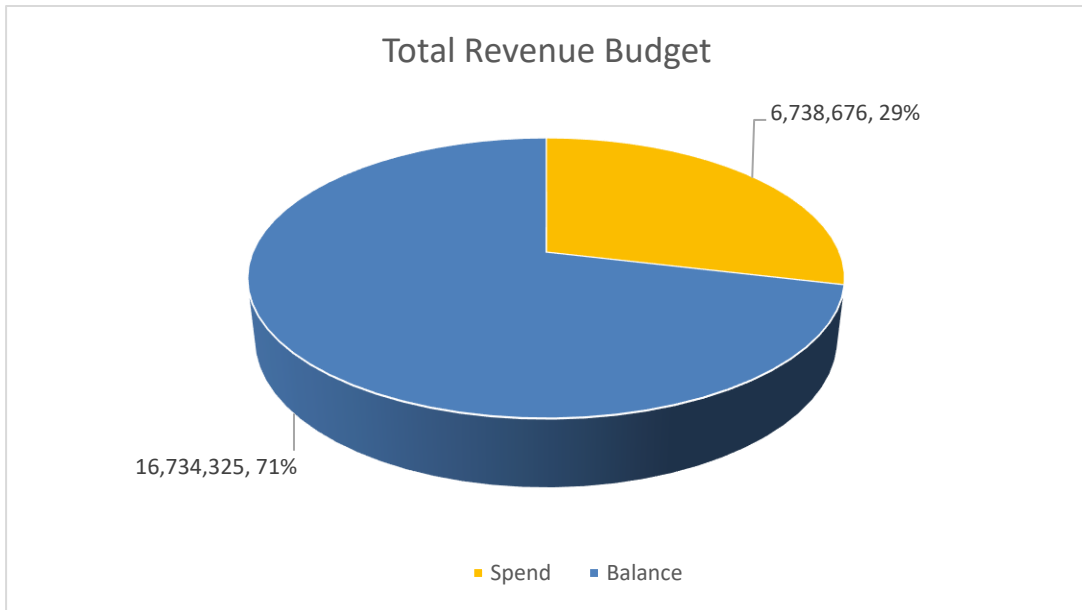
4 Revenue Budget

The Fire Authority approved a total 2021/22 revenue budget of £23.473m in February 2021, 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 2021/22, and a summary of the total position is shown below.

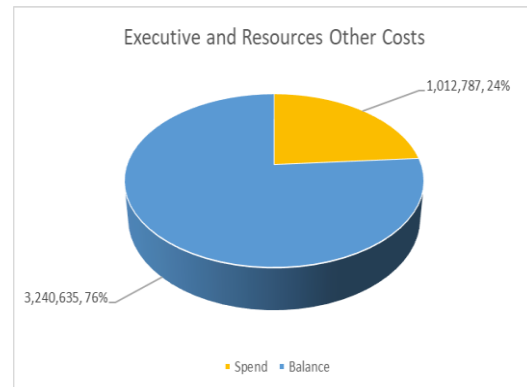
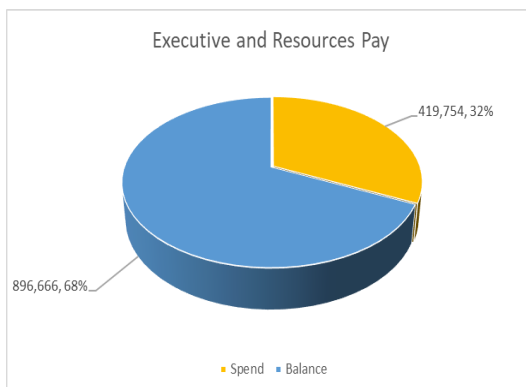


Expenditure on pay budgets is 33% on average; this is in line with estimated spend at this point in the year. Areas such as on call firefighters and overtime payments would be a month behind as these activities are paid for in the following month; however there are also a number of officers who have 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 17%. 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).

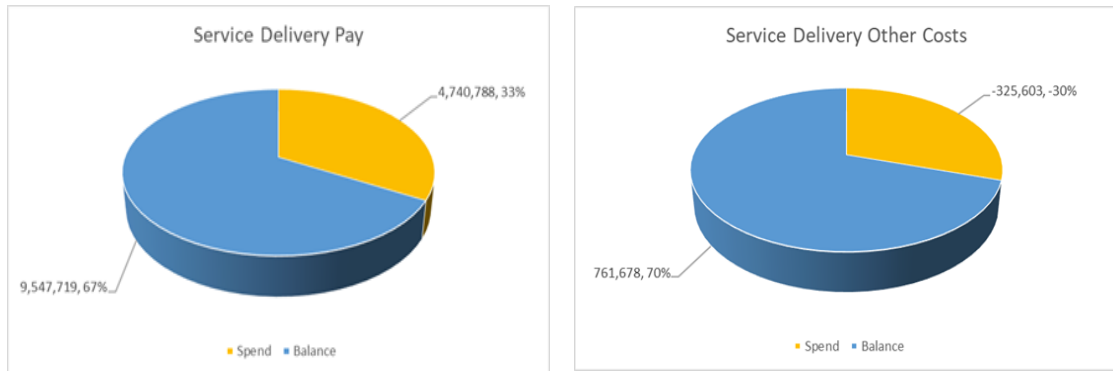
The graphs below illustrate spend to date across each of the service areas.

Executive and Resources



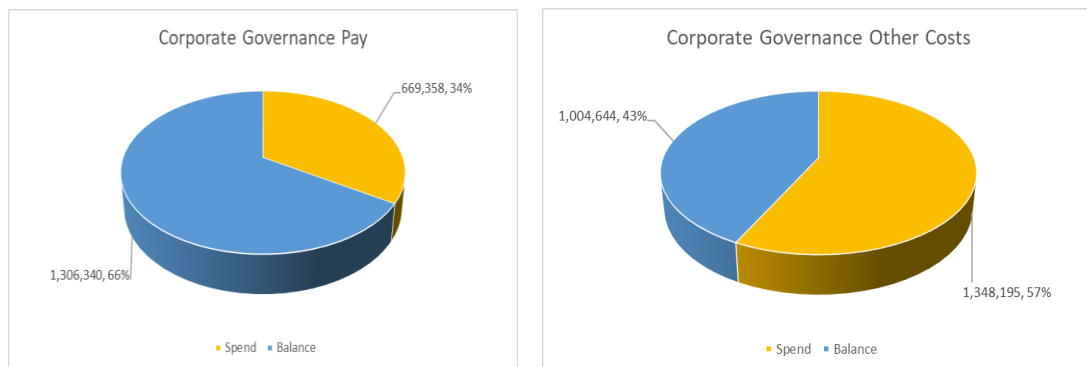
Other - A number of subscriptions have been fully paid, and rates bills across all sites are also paid. A large order has been placed for maintenance work at Tweedale. Some corporate Finance costs will have no spend until later in the year.

Service Delivery



Other – costs in this service area are steady; some costs have been committed for training courses.

Corporate Governance



Other – Annual ICT costs such as the wide area network, are fully paid, and all insurance premiums have also been paid for 2021/22. There are some committed costs for development courses.

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	% of Budget
Service Delivery		
On Call System The Service has incurred additional costs in this area due to prolonged attendance at the recent incident in Ketley. It is proposed that this cost is covered with a contribution from the Extreme Incidents Reserve.	(34)	(18%)
Executive		
Resources Technical Services incurred additional costs as a result of the recent incident at Ketley. These covered a number of areas, including operational equipment and maintenance, uniforms and laundry, and fireground feeding. It is proposed that these costs are also covered with a contribution from the Extreme Incidents Reserve	(18)	(Various budget lines)
Workshops Additional outsourcing of maintenance and repairs due to staff shortages has led to an overspend in this area	(20)	16%
Travel and Subsistence Fuel Savings have been made in these areas due to the minimal movement of staff during the Covid 19 outbreak	15	23%
Debt Charges Borrowing costs for capital schemes including the Telford project have been built into the budget; however, no borrowing will be undertaken this year	400	46%
Corporate Governance		
Fire Alliance Final costs associated with the ICT and Digital Transformation Manager – it is proposed that a contribution from the STB Staff Reserve will cover this cost	(10)	-
Pay and Price Contingency The Authority did not budget for pay awards for staff in 2021/22, however an increase of 1.5% has been agreed for operational staff. The award for support staff has yet to be agreed. Some contingency is available to cover the award in part for this year, with a shortfall to be reported.	(121)	-
Total	212	

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:

- Costs for a medical appeal board (£6,000)
- Wholetime recruitment costs – role play (£15,000)
- Annual subscription to West Midlands Employers Recruitment service (£15,000)
- Fire investigation training (£29,000)
- Outsourcing of performance management system improvements (£22,000)
- Repairs to the rescue tender (£5,000)
- IPDR process awareness and training (£6,000)

5 Covid 19 – Grant and Expenditure

The Government made two section 31 grant payments to local authorities in March and April 2020 in response to the Covid 19 pandemic. The grants were issued to ensure that authorities were best placed to continue to deliver services and to support partners to mitigate the effects of the pandemic upon its communities.

The Fire Authority received a total of £446,000 in grant and has been reporting expenditure to the Home Office via NFCC returns. A total of £409,000 was spent by the end of March, leaving a balance of £36,000.

Following a successful bid to the Home Office, the Service received a second tranche of funding in March of £203,000, plus a share of the Covid fund balance of £45,000. Spend has continued into 2021/22, predominantly on staff supporting the vaccination centres.

6 Capital Programme

Appliance Replacement

The current capital programme includes schemes for 10 replacement appliances over a number of years. Officers are now in a position to raise orders for all appliances, however the appliances included in earlier schemes now require inflationary increases.

The total for all appliances is £3m, and the amount approved in the current schemes is £2.79m. An order for the first three appliances has been raised, with the inflationary increase required approved using powers delegated to the Chief Fire Officer and the Treasurer.

Members are asked to increase the outstanding appliance schemes by £146,000, to enable the remaining purchase orders to be placed.

7 2021/22 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 (£9.235m)

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. The Authority is operating well within this indicator, due to slippage on capital schemes and no additional borrowing carried during this year.

Authorised Limit for External Debt (£12.236m)

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 £5.578m, well within the indicator. No temporary borrowing has been necessary.

Operational Boundary (£9.235m)

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 July 2021 are shown below:

Debt Management Office	£1.80m
Coventry Building Society	£1.00m
Barclays	£2.00m
Broxtowe Borough Council	£2.00m
Handelsbanken	£2.00m
Santander	£2.00m
Cheltenham Borough Council	£2.00m
Lloyds	£1.94m
Nat West	£1.00m
Nationwide	£2.00m
Liverpool City Council	£2.00m
Slough Borough Council	£2.00m
Telford & Wrekin Council	£2.00m
Total	£23.74m

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.

The interest on investments earned to the end of July is £10,696 – an average rate of return of 0.21% against a target rate of 0.08%.

8 Financial Implications

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

9 Legal Comment

There are no direct legal implications arising from this report.

10 Initial Impact Assessment

An Initial Impact Assessment has been completed.

11 Appendices

There are no appendices attached to this report.

12 Background Papers

There are no background papers associated with this report.