

## Financial Performance to July 2020

### 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 income and expenditure relating to Covid-19, and
- d) Note performance against prudential indicators to date in 2020/21.

#### 3 Background

This report presents a review of financial performance to date for 2020/21 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 2020/21. The Appendix 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.

In terms of non-pay budgets, average spend across all budgets (removing grant income) is 24%. 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.

	<b>(Over) / Under spend £'000</b>	<b>% of Budget</b>
<b>Service Delivery</b>		
<b>Prevention &amp; Protection</b> Inspecting Officer (Watch Manager) post added as growth in 20/21 vacant for first 4 months of financial year	40	6%
Non uniform posts added as growth to be filled in September 2020	10	2%
<b>Training</b> Two Crew Manager posts added as growth were vacant for first quarter of the financial year.	20	2%
<b>Executive</b>		
<b>Resources</b> A shared procurement post with Telford & Wrekin Council is currently vacant.	12	3%
<b>Travel and Subsistence</b>	25	33%
<b>Fuel</b> Savings have been made in these areas due to the minimal movement of staff during the Covid-19 outbreak	20	12%
<b>Interest on Investments</b> Return on the Authority's investments had increased over the past two years and the base budget was uplifted reflect this rise. However, in the current economic climate yields have fallen significantly and the revised budget will not be achieved.	(55)	(55%)
<b>Total</b>	<b>72</b>	

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 a contribution from the ICT reserve for software on the Incident Command Unit (£4k), a contribution from the training reserve for wholetime recruit training (£35k), communications database management software (£8k) and a contribution from the Equipment Replacement Reserve for signage for appliances (£8k) and equipment for the Incident Command Unit (£8k).

## 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 National Fire Chiefs Council returns. A total of £171,000 has been spent to the end of July.

Staffing costs	£53,000
PPE	£67,000
Cleaning and decontamination supplies	£43,000
Other expenditure	£8,000
Total	£171,000

In addition, some savings have been identified due to the minimal movement of staff during the first four months of the year and this is shown in the variances above.

However, there will be further spend on making the Service's buildings 'Covid safe' in line with government guidelines, to enable a safe working environment for staff. Increased costs may also be evident in other areas as the effects of the pandemic make future decision making more complex.

In terms of cash flow for the Fire Authority, the government made a number of 2020/21 grant payments early to ensure that cash was available for critical purchases.

The effect of the pandemic on future income is currently being worked through, with council tax base rates and collection rates likely to be affected from 2021/22 onwards. This work will be used in the strategic planning options for future years and will be presented to Members during the budget setting process later in the year.

## 6 2020/21 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 (£5.162m)

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 (£8.162m)

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 (£5.578m)

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 2020 are shown below:

Debt Management Office	£5.90m
Kingston upon Hull Council	£2.00m
Handelsbanken	£2.00m
Santander	£2.00m
Blackpool Council	£2.00m
Lloyds	£2.00m
Nat West	£0.74m
Broxton Borough Council	£2.00m
Cheltenham Council	£2.00m
Thurrock Council	£2.00m
<b>Total</b>	<b>£22.64m</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 July is £11,528 – an average rate of return of 0.60% against a target rate of 0.44%.

## **7 Financial Implications**

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

## **8 Legal Comment**

There are no direct legal implications arising from this report.

## **9 Initial Impact Assessment**

An Initial Impact Assessment has been completed.

## **10 Appendix**

Revenue Budget Directorate Summary

## **11 Background Papers**

There are no background papers associated with this report.

Appendix to report on  
Financial Performance to July 2020  
Shropshire and Wrekin Fire and Rescue Authority  
Strategy and Resources Committee  
17 September 2020

Shropshire and Wrekin Fire and Rescue Authority Revenue Budget Directorate Summary to 31 July 2020						
Directorate	Budget	Spend	Committed	Balance	% Spent	
<b>Executive &amp; Resources</b>						
<b>Pay</b>						
Executive	804,472	245,333		559,138	30%	
Resources	520,130	171,845	-	348,285	33%	
<b>Other</b>						
Equipment & Uniforms	485,449	158,250	165,605	161,594	67%	
Executive	87,586	78,944	5,000	3,642	96%	
Facilities	1,031,460	135,341	126,035	770,084	25%	
Finance: Corporate Budgets	1,895,518	25,328	675	1,869,515	1%	
Finance: Govt Grants	-	1,149,960	-	1,479,478	129%	
Fleet	277,324	30,330	-	246,994	11%	
Hydrants	117,738	-	20,955	5,331	133,362	-13%
Workshops	224,213	84,025	246	139,942	38%	
	<b>4,293,929</b>	<b>-</b>	<b>571,037</b>	<b>302,892</b>	<b>4,562,074</b>	<b>-6%</b>
<b>Service Delivery</b>						
<b>Pay</b>						
Area Command	10,633,806	3,327,892	-	7,305,914	31%	
Control	738,157	236,899		501,259	32%	
ESMCP	-	15,833	-	15,833		
Operations	597,073	203,879	-	393,194	34%	
Prevention	1,090,145	305,813	-	784,332	28%	
Training	1,201,916	325,288	-	876,628	27%	
<b>Other</b>						
Area Command	5,000	400	400	4,200	16%	
Prevention	50,584	2,077	9,333	39,173	23%	
Health & Safety	4,200	1,746	-	2,454	42%	
ESMCP	-	2,084	-	2,084		
Operations	20,000	12,342	-	7,658	62%	
Training	163,561	23,685	63,784	76,092	53%	
	<b>14,504,442</b>	<b>4,457,937</b>	<b>73,517</b>	<b>9,972,988</b>	<b>31%</b>	
<b>Corporate Governance</b>						
<b>Pay</b>						
Service Development	345,498	119,346	-	226,152	35%	
Corporate Services	309,514	105,218	-	204,296	34%	
HR and Occ Health	366,050	114,179	-	251,872	31%	
IT and Comms	399,715	116,993	-	282,722	29%	
Strategic Alliance	-	66,161	-	66,161		
<b>Other</b>						
Corporate Communications	10,000	2,780	-	7,220	28%	
Corporate Services	36,460	2,116	-	34,344	6%	
Development	145,595	52,952	110,184	-	17,541	112%
Equality & Diversity	16,900	2,481	45	14,374	15%	
IT and Comms	1,139,283	513,674	165,956	459,653	60%	
Insurance	329,832	348,758	-	18,926	106%	
Members	86,136	26,240	-	59,896	30%	
HR and Occ Health	239,183	33,501	3,147	202,535	15%	
Pensions	280,120	102,142	-	177,978	36%	
Strategic Alliance	-	14,987	22,562	-	37,549	
	<b>3,704,287</b>	<b>1,621,527</b>	<b>301,893</b>	<b>1,780,867</b>	<b>52%</b>	
<b>Pay and Prices Contingency</b>	<b>718,341</b>	<b>-</b>	<b>-</b>	<b>718,341</b>	<b>0%</b>	
<b>Non Pay Budgets</b>	<b>6,646,142</b>	<b>1,618,240</b>	<b>655,741</b>	<b>4,372,161</b>	<b>34%</b>	
<b>Pay Budgets</b>	<b>17,724,818</b>	<b>5,272,684</b>	<b>-</b>	<b>12,452,134</b>	<b>30%</b>	
<b>Total</b>	<b>23,221,000</b>	<b>5,508,427</b>	<b>678,303</b>	<b>17,034,270</b>	<b>27%</b>	