

Financial Performance to March 2023

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 Fire Authority is recommended to:

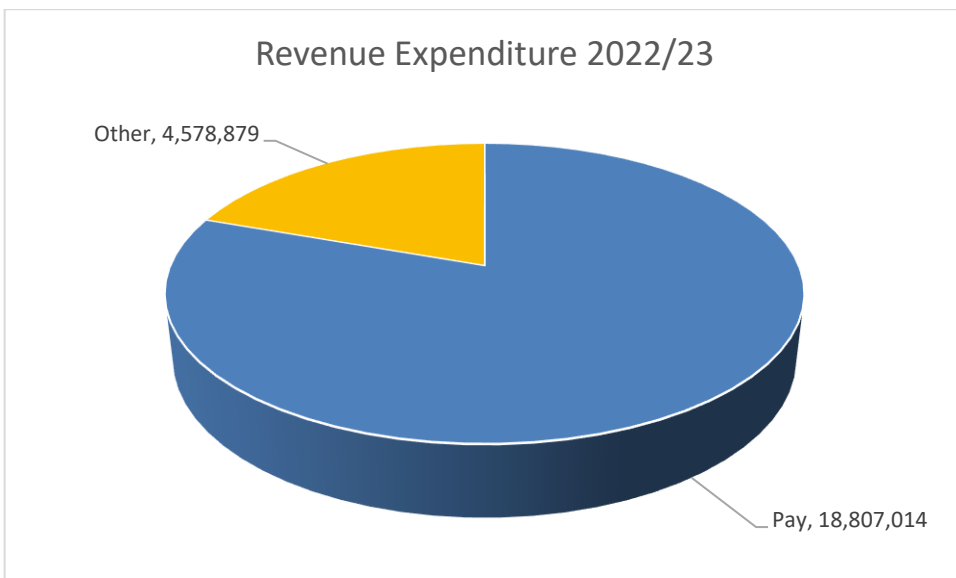
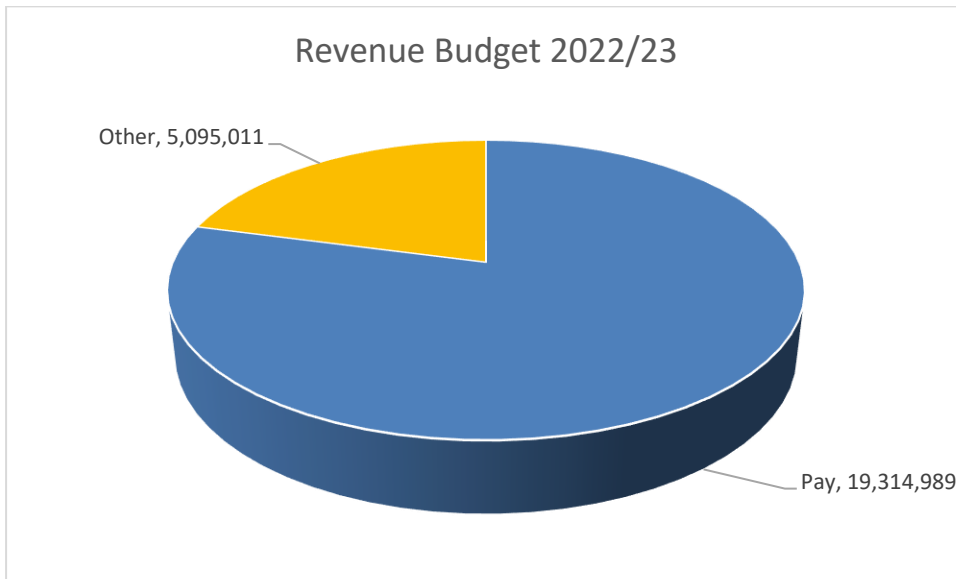
- a) Note the position of the revenue budget;
- b) Approve virements to the revenue budget, where requested;
- c) Approve the amendments to the capital programme, and
- d) Note performance against prudential indicators to date in 2022/23.

3. Background

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

4. Revenue Budget

Monitoring is completed on the revenue budgets for 2022/23, and a summary of the position at the end of the year is shown below. There will be adjustments made as the accounts are completed.



The budget for pay that was set by the Authority in February 2022 has been adjusted as variances have been reported to members during the year. These adjustments include the pay awards negotiated for both operational and support staff, which have cost around £450,000 more than the Authority’s pay contingency. There are underspends within the budget at the end of the year, due to vacant roles within departments and also reduced operational activity.

The budget for non pay costs include variances that have previously been reported to the Authority, plus the balance of the pay and prices contingency. There is a large underspend on debt charges within the year as no borrowing for the capital programme has yet been undertaken. Interest on investments is also higher than anticipated due to rate increases within the year.

Further variances have been identified during the final quarter of the year and these are shown in the table below.

	(Over) / Under spend £'000
<u>Service Delivery</u>	
Watches – following adjustments during the year, there is an unspent balance in this pay area	26
Overtime – this area remains under review as a number of adjustments are put in place to reduce the overtime expenditure going forward.	-12
Covid grant – as there is no indication that the unspent balance of Covid grant awarded in previous years should be returned to government, it is proposed that it is allocated to the General Fund balance	68
On Call Duty System Costs have been lower than anticipated in a number of areas; this is due to reduced staff and activity levels during the year	
Turnouts	45
Operational hours	44
CFS hours	50
Training	28
Sick Pay	20
Holiday pay	12
On Call Support Teams – additional officers to cover sickness in this area has resulted in an overspend for the year	-40
Training Pay - Vacant driving instructor posts for part of the year have resulted in an underspend	48
Operations Pay – additional costs incurred as part of the ESMCP project that are not recoverable through grant	-84

	(Over) / Under spend £'000
Executive and Resources	
Debt charges – underspends due to no borrowing undertaken for capital projects – it is proposed that this is transferred to the Major Projects Reserve to reduce future borrowing against the capital programme	457
Interest on investments – returns on investments have increased due to increases in Bank Rate; the budget has been increased from 2023/24	162
Pensions – additional funds are required in this area of the budget due to ill health and injury pensions cost increases. A contribution for ill health retirements was required into the pensions account	-113
Resources Pay – there have been additional costs incurred as a result of the implementation of the new vehicle management system, and the rollout of new firekit	-40
Corporate Governance	
ICT Pay – ICT technician vacancies throughout the year have resulted in an underspend	48
Planning and Performance Pay – systems administrator and admin support posts have been vacant within the year	96
Legal Costs – the continuing legal issues around the refurbishment at Telford has resulted in additional costs of £60,000. The Authority has previously approved a legal provision for costs of judicial review; as there is unlikely to be further expenditure in this area, it is proposed that the balance of £22,000 is allocated against this cost	-38
Pay and Price Contingency – pay award for Grey book staff has been paid, with a cost of £337,000 over the contingency held for pay in this area	-337
A balance also remains following the u-turn on national insurance increases by government in 2022	143
Total	583

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:

- Process Evolution – degradation planning tool (£5,200)
- Purchase of drones (£16,065)

5. Capital Programme

The capital programme for 2024/25 contains two schemes for replacement vehicles. The Fleet and Workshops Manager has requested that these are brought forward to 2023/24, to enable the vehicles to be ordered.

Officers' Response Vehicles – 8 vehicles are due to be ordered in 2023/24, with 5 ordered in 2024/25. It is proposed that all 13 vehicles are ordered in a batch during 2023/24.

Light Vehicle Replacement - due to extended delivery times, it is requested that the replacements for current diesel and electric vehicles are ordered during 2023/24.

6. 2022/23 Prudential Indicators

In line with CIPFA'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 December is shown below.

Capital Financing Requirement (£4.458m)

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 (£7.458m)

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 £5.255m, well within the indicator. No temporary borrowing has been necessary.

Operational Boundary (£5.255m)

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	£2.0m
Handelsbanken	£1.9m
Barclays	£2.0m
Debt Management Office	£0.9m
Nationwide Building Society	£2.0m
Nat West	£1.0m
Coventry Building Society	£1.0m
Total	£10.8m

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 interest on investments earned to the end of March is £271,392 – an average rate of return of 1.91%.

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. Appendices

There are no appendices attached to this report.

11. Background Papers

There are no background papers associated with this report.