



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Item 19/09

MEETING	Finance & Governance Committee
DATE OF MEETING	7 March 2019
SUBJECT OF THE REPORT	Financial Monitoring Report Quarter 3
STATUS OF REPORT	For open publication
PURPOSE OF REPORT	For Information
EXECUTIVE SUMMARY	<p>This report provides an analysis of the current financial position for the 2018-19 financial year, reflecting actual spending to 31 December 2018.</p> <p>Overall the revenue and capital budget positions remain positive, with the forecast revenue underspend increasing from £200k to £256k, as a result of additional savings on “Employee Costs”.</p> <p>Total useable reserves are forecast to reduce by £4.958m in the year, so standing at £17.34m by 31 March 2019. The main reductions covering use of Transformation Reserves and use of Capital Replacement Reserves can be seen in detail in Appendix B.</p> <p>A revised capital programme totalling £8.306m was approved by the Dorset & Wiltshire Fire and Rescue Authority (the Authority) in December 2018. Section 4 of the report, and Appendix C, highlight some further changes to take account of current progress with the various capital projects. The outturn estimate is now £7.323m.</p>

RISK ASSESSMENT	Financial sustainability remains a key focus as a strategic risk, and as such the monitoring of the financial position is a critically important factor in financial planning and decision making for the Authority. Any anticipated financial outcome arising will therefore feature in the medium term financial planning (MTFP) and budget setting process.
COMMUNITY IMPACT ASSESSMENT	None for the purposes of this report
BUDGET IMPLICATIONS	None for the purposes of this report
RECOMMENDATIONS	It is recommended that Members: <ol style="list-style-type: none"> 1. note and comment upon the current financial position as at 31 December 2018. 2. approve the use of capital financing savings to make additional revenue contributions to finance the capital programme.
BACKGROUND PAPERS	Medium Term Finance Plan 2018-21
APPENDICES	Appendix A - Revenue & Monitoring Statement 2018-19 Appendix B - Summary of Reserves & Unused Grants 2018-19 Appendix C - Capital Monitoring Summary 2018-19
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1. Introduction

- 1.1 This report provides an update of the revenue budget position for the 2018-19 financial year, covering the period to 31 December 2018. The net revenue budget was set in February 2018 at £54.526m.
- 1.2 Appendices A and C show the summary revenue and capital projections. Variations have been “traffic lighted” to highlight the major variances, with those in excess of £20,000 (under or overspending) shown in pink, those between £10,000 and £20,000 in yellow and those below £10,000 in green.

2. Major Variations from Revenue Budget

- 2.1 Employees (note 1)
 - 2.1.1 The report shows an overall projected saving of £318k for Employee costs, representing 0.7% of the budget amount. This is based on actual costs to date and projected costs based on previous spend profiles, along with anticipated staffing numbers for the remainder of the financial year. The costs and projections reflect the 2% pay award agreed for operational staff, applying from July 2018. Budget adjustments have been made to reflect a number of externally funded secondments, as well as some corporate staff posts presently covered by uniformed staff. The overall saving has increased by £56k from the Quarter 2 report, as a result of additional in-year savings identified in budget monitoring, particularly occupational health costs.
 - 2.1.2 The projected spend takes account of £130k for additional one off pension costs in respect of ill-health retirements and costs of £402k associated with voluntary redundancies and early retirements for staff leaving the Service during 2018-19. Both elements of additional cost will be funded from reserves and are reflected in budget adjustments.
- 2.2 Premises (note 2)
 - 2.2.1 The projection for Premises costs includes £300k covering charges from the Defence Infrastructure Organisation associated with the West Moors Training Centre facility. Officers are currently concluding negotiations on charges to apply from 1 April.
- 2.3 Agency and Contracted Services (note 3)
 - 2.3.1 The saving shown here is an estimated £20k against the costs of physiotherapy services.

2.4 Capital Financing and Leasing Costs (note 4)

- 2.4.1 The budget includes £590k as provision for interest payments on long-term borrowing. £431k of this sum is committed to existing loans, with the balance of £159k available to support new borrowing. We are yet to take any new borrowing this year, meaning there will be an underspend on this budget line. Officers recommend that any such underspend is used to make additional revenue contributions to finance the capital programme, thereby reducing future borrowing costs.
- 2.4.2 The budget adjustment of £4.162m reflects the purchase cost for the land at Tisbury Fire Station, funded from general balances, and the use of capital reserves to part fund the capital programme.

2.5 Income

- 2.5.1 Note 5: The forecast for Income from investing surplus cash flows remains at the lower projected level of £50k.
- 2.5.2 Note 6: The budget included £310k for grant funding related to the business rates retention scheme. Actual receipts are now expected to be £633k. The increase in grant funding is partially offset by a reduction in business rates receipts from our billing authorities. Our funding settlement from Government projected income of £4.878m, but actual receipts from billing authorities will only total £4.803m.
- 2.5.3 Planning gain income from Swindon Borough Council is also included in Grants & Contributions. This totals £137k and this sum will be moved to reserves for use in future years.

3. Reserves and Balances (note 7)

- 3.1 Appendix B shows the anticipated position regarding reserves and balances.
- 3.2 General balances will be reduced to £2.726m at 31 March 2019 in line with Finance Principle 10 approved by the Authority in September 2018. This is after £325k has been used to finance the purchase of land at the Tisbury Fire Station site; and with the remaining balance, including the forecast underspend, transferred to the Transformation Improvement Reserve. This is reflected in Appendix B.
- 3.3 Earmarked reserves (£11.607m) and grants (£4.005m) stood at £15.612m as at 1 April 2018. As shown in Appendix B the current estimate is for a net decrease in earmarked reserves of £787k and grants of £211k, but further changes are likely to occur during the remainder of the financial year.

- 3.4 The expected use of grant reserves has reduced at the current time due to the cancellation of the Skills for Life Centre project and we are forecasting that there will be just over £2m remaining in the Transformation Grant Reserve (the Ministry of Housing Communities and Local Government funding (MHCLG)). Officers are in discussions with the Home Office about the future use of this funding.

4. Capital Programme

- 4.1 The original capital programme for 2018-19 totalled £9.632m. Projects totalling £3.296m were carried forward from 2017-18 and these were approved by the Finance & Governance Committee at the end of July 2018. Further changes, taking account of project progress in year, as well as savings delivered, were approved by the Authority in December 2018. The revised capital programme for 2018-19 was set at £8.306m. Appendix B provides details of current spending levels.

Capital budget summary	Original Budget £'000s	Carry Forwards £'000s	In Year Changes £'000s	Revised Budget £'000s
Property/Estates	1,695	543	(108)	2,130
IT & Communications	692	236	(17)	911
Vehicles	6,219	2,517	(4,497)	4,239
Operational & Other Equipment	1,026	0	0	1,026
TOTAL	9,632	3,296	(4,622)	8,306

4.2 Property/Estates

- 4.2.1 Skills for Life Centre (note 8) – following the cancellation of the project all costs incurred in 2018-19 will now be charged to the revenue budget, although still funded from the Transformation Grant (MHCLG).
- 4.2.2 Other building projects (note 9) – The revised total of £1.88m includes the £325k additional spend in respect of the land at Tisbury Fire Station. We are working with our partners at Wiltshire Council and Wiltshire Police to complete this purchase by 31 March 2019. We have estimated a further £125k of deferred spending, based on current spending profiles.

4.3 IT and Communications

- 4.3.1 Hardware Replacements (note 10) – In developing the latest iteration of the ICT Roadmap and reviewing 2018-19 project progress we have estimated a further £55k of deferred spending, based on current spending profiles.

4.3.2 Systems Harmonisation (note 11) – The current programme includes £260k for the provision of a new equipment asset management system. The original procurement process for this system did not provide a solution that was able to utilise new technology to its fullest. The specification has been reviewed and we will be retendering shortly. The overall project delay is estimated at approximately six months, but will ensure that the Service gets a futureproofed solution.

4.4 Vehicles and Equipment

4.4.1 Aerial Ladder Platform (ALP) (note 12) – the reduction of £135,700 reflects moving capitalised maintenance costs to the revenue budget, following a discussion with external audit.

4.4.2 Other Operational Vehicles (note 13) – the reduction of £80,000 reflects deferral of the purchase of four operational response cars. The current model used is now out of specification and over the budget allowance. Alternative options are being explored.

4.4.3 Support Vehicles (note 14) – the reduction of £80,000 reflects deferral of the purchase of one training vehicle and one prevention display vehicle. The relevant Service departments have not yet confirmed final requirements.

4.4.4 Operational Equipment (note 15) – The £1.026m shown for operational equipment includes £813k for the first phase of replacing operational fire kit. This project is still progressing well, with a phased approach to ordering and supplying the new kit. Delivery timescales are likely to mean that spending this year will be less than £813k, but it is difficult to predict with any certainty.

5. Summary and Key Points

5.1 The forecast outturn for this financial year shows a slightly increased saving of £256k.

5.2 The revised capital programme budget for 2018-19 was set at £8.306m, but taking account of current project progress the current outturn projection is £7.323.

March 2019