



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Item 19/46

MEETING	Finance and Audit Committee
DATE OF MEETING	6 December 2019
SUBJECT OF THE REPORT	Financial Monitoring Report – Quarter 2
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 2019-20 financial year, reflecting actual spending to 30 September 2019.</p> <p>Overall the revenue and capital budgets continue to show a positive position, with the forecast revenue underspend now at £397k. Employee costs are projected to be 0.8% below budget, after additional ill-health charges are taken into account. Premises cost savings from recent procurements and overall grant funding remain better than expected.</p> <p>The report recommends setting aside further revenue funds to help with capital financing. This will reduce future capital charges, easing pressure on the revenue budget, and is a prudent use of one-off savings generated this year.</p> <p>The capital programme has been updated to reflect current progress on projects; proposed programme changes and savings made during the year. A revised capital programme totalling £4.7m will be presented to the Authority on the 18 December 2019.</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 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 <ol style="list-style-type: none"> 1. Members note and comment upon the current financial position as at 30 September 2019. 2. Members approve the use of underspend to finance £100k of additional ill-health retirement costs. 3. Members approve the use of underspend to make additional capital financing contributions of £750k.
BACKGROUND PAPERS	Medium Term Finance Plan 2019-20 to 2022-23
APPENDICES	Appendix A – Revenue Budget Summary 2019-20 Appendix B – Summary of Reserves 2019-20 Appendix C – Capital Budget Summary 2019-20
REPORT ORIGINATOR AND CONTACT	Name: Ian Cotter, Head of Financial Services & Treasurer Email: ian.cotter@dwfire.org.uk Tel no: 01722 691109

1. Introduction

- 1.1 This report provides an update of the revenue budget position for the 2019-20 financial year, covering the period to 30 September 2019. The net revenue budget was set in February 2019 at £55.845m.
- 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 £369k for Employee costs, representing 0.8% of the budget amount. This is based on actual and projected costs and reflects staffing vacancies in the corporate and on-call staffing groups in particular. The costs and projections include the impact of a 2% pay award for operational staff from July 2019. 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.
 - 2.1.2 There are additional costs in respect of one-off ill-health retirement contributions that the Service must make, with the minimum cost for this year now estimated at £200k. The budget includes provision for £100k, part financed by a reserve contribution of £50k.
 - 2.1.3 Committed costs over the next two years are estimated at £260k, assuming no further ill-health retirements, with only £100k in total available in base budget. Given the current revenue budget forecast I would recommend that the additional costs this year are funded from underspend, maintaining the Ill-Health Retirement Reserve at a higher amount to support future years.
- 2.2 Premises (note 2)
 - 2.2.1 The budget for Premises costs included a provisional sum covering charges from the Defence Infrastructure Organisation (DIO) associated with the West Moors Training Centre facility. Following detailed negotiations with DIO, we have concluded an agreement with expected annual charges at £250k.
 - 2.2.2 Following recent procurements, we are now seeing additional cost savings for utility costs and cleaning. In total this report anticipates savings of £155k this year.

2.3 Capital Financing and Leasing Costs (note 3)

2.3.1 The budget includes £2.2m in respect of charges to finance long-term borrowing. Due to the lower capital spending in 2018-19, as well as our current borrowing profile, savings will be made against this sum. We undertook new borrowing of £4.4m in early August 2019, to reduce our level of under-borrowing and take advantage of favourable interest rates and our forecasts assume a further £5m of borrowing before the end of the financial year. The overall level of saving is estimated at £328k. Given this level of saving, the overall revenue budget position and the reduced capital programme (see section 4), I would recommend making additional revenue contributions to capital funding of £750k this year, helping to reduce future borrowing costs. This is reflected in the net variance of £422k.

2.3.2 The budget adjustment of £475k shows the net impact of using the Transformation Grant to fund elements of the capital programme, as agreed with the Home Office. This includes the new asset management system, wide area network upgrades, our share of Networked Fire Services Partnership (NFSP) capital costs and the purchase of the additional assets at Tisbury Fire Station, which was recently concluded.

2.4 Income (note 4)

2.4.1 Income remains on target to exceed the budget amount by £215k in total, as reported previously. This is mainly business rates and pension grant funding, offset by the levy account surplus that was received in 2018-19.

3. Reserves and Balances (note 5)

3.1 Appendix B shows the anticipated position regarding reserves and balances.

3.2 General balances stood at £2.726m as at 1 April 2019, representing 5% of the 2018-19 net revenue budget. This is planned to increase to £2.792m for 2019-20 in line with this year's budget requirement.

3.3 Earmarked reserves (£12.61m) and grants (£2.521m) stood at £15.131m as at 1 April 2019.

3.4 Appendix B shows the planned use of reserves and currently reflects an overall reduction of £945k, excluding the current projected underspend. The main change at the current time takes account of the budget adjustment referred to in 2.3.2 above.

4. Capital Programme

- 4.1 The original capital programme for 2019-20 totalled £8.404m. Projects totalling £1.896m were carried forward from 2018-19 and these were approved by the Finance & Governance Committee in July. The revised capital programme for 2019-20 therefore currently stands at £10.301m.
- 4.2 Further changes to the capital programme are now proposed, to take account of project progress in year, as well as savings delivered, and these will be reported to the Authority on 18 December 2019. Based on these proposals the revised capital programme for 2019-20 will total £4.7m. Appendix C provides details of current spending levels.

Capital budget summary	Original Budget £'000s	Carry Forwards £'000s	In Year Changes £'000s	Revised Budget £'000s
Property/Estates	1,329	866	(437)	1,758
IT & Communications	549	469	(220)	798
Vehicles	5,608	281	(4,943)	946
Operational & Other Equipment	918	280	0	1,198
TOTAL	8,404	1,896	(5,600)	4,700

- 4.3 Property/Estates (note 6)
- 4.3.1 Building projects – the overall programme for building works has been reviewed, with some projects moving between years for better alignment of scheduled works. The overall impact for 2019-20 is an expected reduction in cost of £87k. The bulk of projects started in 2018-19 have now been completed and we recently concluded the purchase of the additional space at Tisbury. The cyclical programme of works for 2019-20 is currently being tendered and it is likely that these works will not be fully completed before the end of the financial year. This report assumes that £350k of these works will carry over to 2020-21.
- 4.4 IT and Communications (note 7)
- 4.4.1 Systems Harmonisation – The carry forward amount of £260k is for the new equipment asset management system. This is currently in the procurement phase and heading for initial delivery early next financial year. As a result, not all costs will be incurred this year, but the spend profile will not be clear until a successful supplier has been appointed. This report assumes that only £150k will be spent this year, with the remaining £110k carried forward to 2020-21.
- 4.4.2 Network Fire Services Partnership – £110k of the £267k included in the programme was spent towards the end of 2018-19.

4.5 Vehicles and Equipment (note 8)

4.5.1 Vehicles – As reported previously, the vehicle replacement programme has been reviewed to enable more effective procurement and project management. Taking account of this and the procurement timescales for the nineteen fire appliances on order the overall impact for 2019-20 is an expected reduction in cost of £4.943m.

4.5.2 Operational Equipment – The £1.198m shown for operational and other equipment includes £1.033m to complete the replacement of operational fire kit across the Service. This project has progressed well over the last 12 months or so, with a phased approach to ordering and supplying the new kit. The project is scheduled to be completed later this year.

5. Summary and Key Points

5.1 We continue to monitor the revenue and capital budgets closely.

5.2 The report recommends using one off savings in this year's revenue budget to fund additional ill-health retirement costs and provide additional capital financing. This is a prudent use of the budget and eases some pressures on future revenue budgets.

5.3 The revised capital programme budget for 2019-20 currently amounts to £10.301m, but taking account of current project progress, proposed programme changes and savings achieved, a reduction to £4.7m will be reported to the Authority in December.

December 2019