



Dorset Fire Authority

MEETING	Dorset Fire Authority
DATE OF MEETING	10 February 2015
OFFICER	Chief Fire Officer
SUBJECT OF THE REPORT	Third Quarter Financial Performance Report
EXECUTIVE SUMMARY	<p>This report provides an analysis of the financial position up to 31 December 2014.</p> <p>Section 2 of the report deals with the revenue budget. Revised budgets, particularly for pay, have now been implemented. Additional pay savings, particularly for wholtime and retained pay are included. Overall this means that cost centre balances are currently forecast to be £816k by the end of the financial year.</p> <p>Section 4 updates Members on the capital programme. The updated total programme cost remains at £1.957m but actual spending against this by year end is now predicted to be £1.211m down from £1.616m. This is mainly as a result of further items being deferred until 2015/16 including £300k delayed for the replacement of two aerial appliances.</p>
RISK ASSESSMENT	None
COMMUNITY IMPACT ASSESSMENT	N/A
	<i>Note: If the matrix indicates negative impacts on the community or staff, an equality impact assessment (EIA) will need to be completed.</i>
BUDGET IMPLICATIONS	None
RECOMMENDATIONS	<p>It is recommended that Members:</p> <ol style="list-style-type: none"> 1. Note the report and comment upon the current financial position. 2. Approve a delegation to the Chief Fire Officer, Clerk and Treasurer to finalise details of grant funding for the RoadWise project.
BACKGROUND PAPERS	Medium Term Finance Plan 2014-19

APPENDICES	A: Capital Programme Monitoring 2014/15
REPORT ORIGINATOR AND CONTACT	Ian Cotter, Head of Financial Services Tel: (01305) 252697

Revenue Budget Summary 2014/15

Strategy	Programme	Original Budget	Current Budget ¹	Expected Outturn	Variance ²	Key Issues
Assets	Operational Assets	961	972	972	0	
	ICT	698	692	692	0	
	Property	2,194	2,178	2,178	0	
	Support Budgets	10	5	5	0	
	ASSET STRATEGY TOTAL	3,864	3,847	3,847	-0	
Community Safety	Intervention	345	496	496	0	2.3
	Prevention	320	263	263	0	2.4
	Protection	58	58	58	0	
	Support Budgets	93	71	71	0	
	COMMUNITY SAFETY STRATEGY TOTAL	816	888	888	0	
Governance	Governance	11	12	12	0	
	Central Budgets	2,527	2,439	2,439	0	2.5, 2.6
	Support Budgets	22	22	22	0	
	GOVERNANCE STRATEGY TOTAL	2,559	2,473	2,473	0	
People	Employee Development & Resourcing	292	321	321	0	
	Employee Services & Support	163	181	181	0	
	Equality & Diversity	5	4	4	0	
	Health & Safety	8	8	8	0	
	Pay	21,761	21,155	21,155	0	2.1
	Ill Health and Injury Pensions	918	875	875	0	2.2
	Support Budgets	25	17	17	0	
PEOPLE STRATEGY TOTAL	23,172	22,560	22,560	0		
Earmarked Reserves		-564	-224	-224	0	3.3
General Balances		0	134	134	0	3.2
REVENUE BUDGET TOTAL		29,847	29,678	29,678	-0	
TOTAL FUNDING		-29,847	-29,678	-29,678	0	2.6

¹ Current budget reflects original budget adjusted for approved virements

² Variance = Current budget less expected outturn

Green = within budget

Amber = up to 5% overspend

Red = 5%+ overspend

Yellow = underspend

1. Background

- 1.1 This report provides an update of the revenue and capital budget positions for the 2014/15 financial year and includes all known actual and committed costs to 31 December 2014. The net revenue budget was set in February 2014 at £29.847m and the approved capital programme totalled £1.412m.

2. Revenue Budget

2.1 Pay Budgets

- 2.1.1 For wholetime pay the original budget was set at £12.631m. The projected cost and revised budget has now been set at £12.35m, an overall saving of £281k. This compares to a projected saving of £110k previously. The change reflects the full impact of pay award and increased vacancy savings partially offset by pre-arranged overtime costs and the costs of industrial action cover. At the end of December, wholetime strength was 17 below budget at 257. Three RDS staff on temporary contracts are included within this total and will be part of the wholetime establishment from 1 January. We expect six or seven further ordinary retirements during the January to March 2015 period.
- 2.1.2 The total cost of providing cover during strike action now stands at £400k and £125k has been deducted from employees, leaving a net cost of £275k. The net cost has been absorbed by savings from the pay award and vacancies. Further net costs will be included in the January 2015 payroll.
- 2.1.3 Overall retained pay costs are predicted to be £3.283m for the year compared to an original budget of £3.628m. This represents a saving of £344k including £268k against the total cost of retained incident response and other hourly payments for the first nine months of the financial year (Actual spend of £928k against a predicted budget profile of £1,196k). The projected saving was previously shown as £270k. The prediction of spend for the period January to March 2015 is based on historic spending profiles. Further savings may occur during this period. At the end of December staffing strength against establishment continued to show a shortfall of 61 full cover equivalent staff.
- 2.1.4 The Fire Control revised pay budget shows projected total spend of £970k, and this represents an overspend of £34k compared to the original budget. This is up from £15k shown previously largely as a result of volatility of additional overtime payments required maintaining safe crewing levels in the control room.
- 2.1.5 A revised budget of £4.552m has been set for support staff pay, a saving of £14k compared to the original budget. There are a number of vacancies being held but, as previously highlighted, temporary cover arrangements and some contract extensions are leading to increased costs and employer pension costs have also increased as a result of pensions auto-enrolment leading to more staff joining the Local Government Pension Scheme.

2.2 Ill-health and Injury Pensions

2.2.1 Total pensions spending for ongoing ill-health and injury pensions is forecast at £837k based on spending over the first nine months, compared to the original budget of £830k.

2.2.2 The original budget also included £88k for the payment of additional one-off lump sum contributions relating to new ill-health retirements. £38k will be paid as the second instalment for the firefighter who retired through ill-health last year, and this is funded by a transfer from the pensions reserve. The remaining £50k was a provision against any new ill-health retirements, but at this stage none are expected. This report assumes that the £50k will be transferred to the pensions reserve at year end.

2.3 Intervention

2.3.1 The budget for 'Intervention' activity has been increased from £345k to £496k during the year. The main change here is the funding for the building works taking place at Bridport fire station. This work is entirely funded from Resilience reserves brought forward from previous years.

2.4 Prevention

2.4.1 Net spending against 'Prevention' shows a budget reduction of £57k and reflects changes in grant funded activities. Any balance of funding remaining at year end will be transferred to Reserves for use in future years.

2.5 Treasury Management

2.5.1 The original budget included £60k for income from investing surplus cash flows. £35k has been received in the first nine months of the financial year and the budget has been revised down to £51k.

2.5.2 The original budget also included £511k for interest charges on external loans. No new borrowing has yet been undertaken this financial year. This report assumes that total spending will be £380k, compared to £425k shown in the Second Quarter report, and a saving of £131k from the original budget.

2.6 Government Funding and Business Rates Retention

2.6.1 As previously reported, the budget for 2014/15 assumed business rates retention income of £2.431m, but actual receipts will only total £2.261m. The shortfall of £170k is mostly offset by additional specific grants for business rates reliefs which are £143k more than expected. The net impact on this year's budget is therefore £27k and the budget has been amended to reflect this.

2.7 Combination Costs

2.7.1 At the current time total direct non-staff costs estimated at £141k have been incurred this financial year. The majority of these costs are for the extensive programme of external

consultation. Dorset's share of these costs will be funded from the Business Transformation Reserve.

2.7.2 All staffing costs have been absorbed within existing pay budgets.

3. Reserves and Balances

3.1 At the end of March 2014, the level of cost centre balances stood at £682k. A number of transfers from cost centre balances have been approved during the year, as detailed in previous reports including the transfer of £500k to earmarked reserves to support work towards the Combination and the establishment of the Joint Command and Control Centre (JCCC). This transfer has been reflected in the revised budget.

3.2 The revised budget figures that have now been implemented provide further net savings, mainly pay budget related. Overall a net increase in cost centre balances of £134k is predicted, and this means that cost centre balances are now projected to be £816k at the year end.

3.3 The table below compares the original and revised totals for use of earmarked reserves. The main changes are the business transformation reserve, reflecting spending on combination activities and the additional £500k allocated, and the new dimension funding for the works at Bridport fire station.

Reserve	Original Budget 2014/15 £'000	Revised Budget 2014/15 £'000
Pensions	(38)	12
Insurance	(50)	(50)
PFI	(109)	(109)
Business Transformation	384	753
Leadership Training	(40)	(40)
<i>Total earmarked reserves</i>	<i>147</i>	<i>566</i>
New Dimension	(18)	(134)
Prevention Funding	(67)	(19)
Future Fire Control Funding	(566)	(547)
Secure Information Interchange	(60)	(90)
<i>Total ring-fenced grants</i>	<i>(711)</i>	<i>(790)</i>
Net transfer to/(from) reserves	(564)	(224)

3.4 Members will recall that an earmarked reserve has been established to fund the RoadWise project at Weymouth Community Safety Centre. The reserve currently has funding of £200k. The SafeWise charity is managing the project and a preferred approach is emerging that would see the charity undertake the procurement for the necessary building works and sourcing other associated infrastructure and equipment. In order to make this possible the Fire Authority will need to gift the £200k reserve funding to the SafeWise charity as grant funding. Issues around the ownership of the asset and land will be dealt

with through the existing lease arrangements for the Safety Centre. Members are asked to approve a delegation to the Chief Fire Officer, Clerk and Treasurer to finalise the exact details of this transaction.

4. Capital Programme

- 4.1 The original capital programme for 2014/15 totalled £1.412m. Projects totalling £300k were carried forward from 2013/14 and these were approved by the Fire Authority in June 2014. Since then £235k (funded by Dorset Police) has been added as an initial estimate for the works at Portland fire station to enable site sharing with Dorset Police and a nominal £10k is included for RoadWise. These further adjustments take the approved capital programme to £1.957m.

Capital budget summary	Original Budget	Carry forward items	In-year changes	Revised Budget
	£'000s	£'000s	£'000s	£'000s
IT and Communications	245	115	0	360
Operational & Other Equipment	212	46	0	258
Vehicles	770	33	0	803
Station Improvements	185	106	245	536
TOTAL	1,412	300	245	1,957

- 4.2 With Dorset Police funding £235k of the capital programme and £521k coming from revenue budget contributions or reserves, the remaining £1.201m of funding will be met from Fire Capital Grant allocations. £902k comes from the amount allocated for 2014/15 and £299k brought forward from 2013/14. That leaves £13k of Fire Capital Grant still available.
- 4.3 The current estimate of total capital spend for the year is now £1.321m (see Appendix A), reduced from £1.616m shown in the Second Quarter report. This takes account of the deferment of spend highlighted previously for replacement firefighter helmets, BA radios and the new financial system and adds in deferment of £300k relating to the replacement of two aerial appliances.

DARRAN GUNTER

Chief Fire Officer

2 February 2015

Appendix A

**CAPITAL PROGRAMME MONITORING
2014/15**

	Original Budget	Carry Forwards	In-Year Changes	Current Budget	Total Spend to Date	Free Funds	Estimated Outturn
ICT PROGRAMME							
ICT Roadmap	85,000	40,000	0	125,000	30,712	94,288	125,000
Hardware replacement	58,500	0	0	58,500	16,951	41,549	58,500
Communications Equipment	12,000	0	0	12,000	1,334	10,666	12,000
	155,500	40,000	0	195,500	48,997	146,503	195,500
MIS PROGRAMME							
Breathing Apparatus Radios	90,000	0	0	90,000	0	90,000	0
Griffin Replacement	0	75,000	0	75,000	0	75,000	0
	90,000	75,000	0	165,000	0	165,000	0
EQUIPMENT PROGRAMME							
Operational Equipment	34,500	41,000	0	75,500	50,424	25,076	75,500
PPE	177,200	5,000	0	182,200	11,669	170,531	40,400
	211,700	46,000	0	257,700	62,093	195,607	115,900
PROPERTY PROGRAMME							
Station Improvements	185,000	80,000	0	265,000	191,058	73,942	235,000
Portland Fire Station	0	0	235,000	235,000	236,910	-1,910	235,000
RoadWise	0	0	10,000	10,000	8,325	1,675	10,000
Training Centre Classrooms	0	26,400	0	26,400	18,247	8,153	26,400
	185,000	106,400	245,000	536,400	454,539	81,861	506,400

CAPITAL PROGRAMME MONITORING 2014/15	Original Budget	Carry Forwards	In-Year Changes	Current Budget	Total Spend to Date	Free Funds	Estimated Outturn
VEHICLE PROGRAMME							
Aerial Appliances	300,000	0	0	300,000	0	300,000	0
Scania B Type Fire Appliances	335,000	0	0	335,000	250,758	84,242	335,000
Support Vans	135,000	0	0	135,000	123,789	11,211	135,000
Provided / Pool Cars	0	32,800	0	32,800	32,072	728	32,800
	770,000	32,800	0	802,800	406,620	396,180	502,800
SUMMARY							
ICT Programme	155,500	40,000	0	195,500	48,997	146,503	195,500
MIS Programme	90,000	75,000	0	165,000	0	165,000	0
Equipment Programme	211,700	46,000	0	257,700	62,093	195,607	115,900
Property Programme	185,000	106,400	245,000	536,400	454,539	81,861	506,400
Vehicle Programme	770,000	32,800	0	802,800	406,620	396,180	502,800
TOTAL SPEND	1,412,200	300,200	245,000	1,957,400	972,250	985,150	1,320,600