



Dorset Fire Authority

MEETING	Fire Authority
DATE OF MEETING	16 June 2015
OFFICER	Chief Fire Officer
SUBJECT OF THE REPORT	2014/15 Fourth Quarter Financial Performance
EXECUTIVE SUMMARY	<p>This report sets out the provisional revenue budget outturn position for 2014/15.</p> <p>For the revenue budget an underspend of £639k is currently predicted, after allowing for transfers to and from earmarked reserves. £180k of the underspend has already been allocated to fund carry forward items or new spending commitments as outlined in section 4.2 of the report. Section 4 of the report also outlines a recommendation to the Authority to use the remaining underspend to support a further allocation to the SafeWise charity to enable completion of the RoadWise project and to support the construction of a new technical rescue training facility, and thereafter any remaining underspend to be used to reduce the current level of unfinanced capital expenditure.</p> <p>Capital expenditure totalled £1.175m against a revised budget figure of £1.957m. There are a number of projects which could not be completed in 2014/15 and £755k of funding will need to be carried forward to meet the costs of these.</p> <p>The Audit and Scrutiny Committee will meet in September to look in detail at the statutory financial statements and final outturn expenditure for the year, following the conclusion of the audit process.</p>
RISK ASSESSMENT	<p>The financial pressures facing the Authority remain significant and challenging in future years. We continue to take a prudent approach to financial management as a whole and particularly how we manage the reserves and balances of the Authority, to ensure that they are used in the most efficient and effective manner possible.</p>

COMMUNITY IMPACT ASSESSMENT <i>Note: If the matrix indicates negative impacts on the community or staff, an equality impact assessment (EIA) will need to be completed.</i>	N/A
BUDGET IMPLICATIONS	None
RECOMMENDATIONS	<p>It is recommended that Members:</p> <ol style="list-style-type: none"> 1. Note the provisional outturn position. 2. Approve the transfer of £180k from cost centre balances to fund expenditure commitments carried forward from 2014/15 and the four year licence fee for the Sycle performance management system. 3. Approve the transfer of £100k from cost centre balances to fund a further contribution to SafeWise for the RoadWise project and the construction of a sub-surface technical rescue training facility. 4. Approve the use of any remaining underspend to make an additional capital financing contribution and reduce the level of unfinanced capital expenditure. 5. Approve the carry forward of capital projects totalling £755k.
BACKGROUND PAPERS	Medium Term Finance Plan 2013-18
APPENDICES	A: Revenue Budget Summary 2014/15
REPORT ORIGINATOR AND CONTACT	Ian Cotter, Head of Financial Services Tel: (01305) 252697

1. Introduction

- 1.1 This report provides details of the provisional outturn revenue and capital performance for the 2014/15 financial year. The net revenue budget was set in February 2014 at £29.847m and the approved capital programme totalled £1.412m.
- 1.2 The format of the Revenue Budget Summary has been amended following discussion at the Audit and Scrutiny Committee in March. The new format includes information on virements and a clear comparison between original budget and outturn.

2. Major Variations From Revenue Budget

2.1 Pay Budgets

- 2.1.1 Actual outturn pay expenditure totalled £20.824m against a revised estimate of £21.112m, saving £288k.
- 2.1.2 £173k is from retained duty system salary costs, principally from additional savings against the total cost of retained turnouts and other hourly payments. These payments totalled £1.211m against a revised estimate of £1.334m. A saving of £17k relating to RDS staff attending training courses has been made and this sum has been transferred to the RDS training reserve.
- 2.1.3 A further £95k has been saved against the wholetime duty system salary budget, compared to the revised budget amount set. This is due to the continuing management of vacancies and the impact of industrial action.

2.2 Pensions

- 2.2.1 Overall, net costs totalled £925k against a final estimate of £875k. Costs are higher than expected as a result of one firefighter retiring through ill-health just prior to year end. The total charge to the revenue budget for this firefighter will be £144k spread equally over three financial years. Future year costs can be funded from the Pensions Reserve.
- 2.2.2 We have recently been advised by DCLG of a Pension Ombudsman ruling in respect of a Scottish firefighter who retired in 2005. The firefighter claimed that the Government Actuary's Department (GAD) had a statutory duty to review the tables of commutation factors and that such a review would have led to him receiving a larger retirement lump sum.
- 2.2.3 The Ombudsman's Final Determination has found GAD guilty of maladministration in that the commutation factors were not reviewed in 2001/2 and then again in 2002 and 2004. The Government has accepted the Final Determination and this has implications for members in the Firefighter Pension Scheme 1992 who retired between 1 December 2001 and 21 August 2006, and who will now be entitled to additional commutation lump sums.
- 2.2.4 It is not yet clear who will bear the cost of these additional commutation lump sums. We are awaiting further guidance from DCLG following their discussions with HM Treasury. In

the meantime, we are working with DCLG to identify those individuals who are affected and will then use revised commutation factors supplied by GAD to calculate the amounts involved.

2.3 Operational Assets

- 2.3.1 There were a number of underspends and overspends on Operational Assets budgets, but the primary reason for the overall underspend shown is a saving of £70k against fuel costs. This has arisen for a number of factors, including falling fuel prices and the timing of payments between this financial year and last financial year.

2.4 ICT

- 2.4.1 The underspend shown against ICT costs is due to some changes made to re-profile software maintenance plans and some projects not completed at year end. £10k will need to be carried forward to 2015/16.

2.5 Property

- 2.5.1 Overall revenue spending on property totals £2.074m against a revised budget of £2.180m. The budget was increased by £56k at the start of the year to reflect funding required to complete projects that commenced in 2013/14. Subsequently the budget was reduced as a result of business rates refunds and rental income related to Weymouth Community Safety Centre. We have recently received a £40k refund in respect of insurance costs relating to the PFI properties. The overall cost of utilities and cleaning was £40k less than expected. Last year these costs were £49k higher than expected.

2.6 Intervention

- 2.6.1 The net cost for intervention has increased from £345k to £535k. 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.
- 2.6.2 An additional £30k was allocated in the revised budget to support the replacement of TomTom officer mobilising devices and a project trialling other mobile devices prior to the replacement of mobile data terminals in all frontline vehicles. £15k was added to the budget as our share of costs for the Civil Contingencies Unit, funded from savings on the pay budget. The NFCSP budget was increased from £390k to £400k.

2.7 Prevention

- 2.7.1 The net cost of prevention activity is lower than the original and revised budget figures. The revised budget amount is lower as a result of additional funding received from partner agencies to support programmes such as Fire Cadets, SPARC and Job Centre Plus. These various elements of funding will be used to provide prevention activities in forthcoming years, and have been transferred to specific reserves for this purpose.

- 2.7.2 In addition, the budget for resources to support home fire safety checks, such as the purchase of smoke alarms is underspent by £66k. This is partly due to an end of year stock adjustment worth £26k. £17k of funding needs to carry forward to 2015/16 to support the project looking at retro fit sprinkler systems.

2.8 Partnership Activity and Grant Funding

- 2.8.1 Grant funding of £2.19m was brought forward from 2013/14. This included £1.34m for the Networked Fire Control Services Partnership (NFCSP), £151k for the regional Secure Information Interchange project, £265k for prevention activity including Fire Cadets and SPARC and £200k for RoadWise.
- 2.8.2 The funding for NFCSP and Secure Information is required to fund costs being incurred in 2014/15 and future years. For the NFCSP, £580k has been spent in 2014/15. £89k has been spent on the Secure Information project. This project is now closed and the remaining funding will be used over the next few years to cover already committed costs in each of the four participating Services.
- 2.8.3 During the year, specific grants totalling £2.12m were received from DCLG. This included £1.627m to support the DESPI scheme, £233k for Firelink, £216k of New Burdens funding to support localised council tax support schemes and business rates reliefs and £48k to support New Dimension activity.

2.9 Central Budgets

- 2.9.1 Total income from the investment of surplus cashflows was £67k.
- 2.9.2 The overall cost of financing the Authority's long-term debt was £1.021m compared to an original budget estimate of £1.152m. No new long-term borrowing was undertaken during 2014/15. £518k of capital expenditure has been funded by direct revenue contributions.

3. Earmarked Reserves

- 3.1.1 The table below shows the predicted change in earmarked reserves in 2014/15 and balances as at 31 March 2015. Final reserve adjustments have yet to be made. It is split between specific reserve amounts that the Authority has established as part of its financial management arrangements and ring-fenced grant funding that we are required to carry forward in reserves.

- 3.1.2 The Prevention Funding amount of £455k includes the £200k earmarked for RoadWise. This funding was paid over to the SafeWise charity in May 2015.

Reserve	Balance as at 01/4/14 £'000	Net change in 2014/15 £'000	Balance as at 31/3/15 £'000
Pensions	322	12	334
Insurance	936	(50)	886
Prince's Trust	4	0	4
PFI	38	0	38
Business Transformation	1,148	208	1,356
Joint Command & Control Centre	0	416	416
Capital Funding	3,500	0	3,500
RDS	75	17	92
Leadership Training	266	(20)	246
<i>Total specific reserves</i>	<i>6,289</i>	<i>583</i>	<i>6,872</i>
New Burdens	32	(10)	22
New Dimension	170	(83)	87
Prevention Funding	465	(2)	463
E-recruitment	28	0	28
Future Fire Control Funding	1,343	(580)	763
Secure Information Interchange	150	(89)	61
<i>Total ring-fenced grants</i>	<i>2,188</i>	<i>(764)</i>	<i>1,424</i>
Total Earmarked Reserves	8,477	(181)	8,296

4. General Balances

- 4.1 The general balances of the Authority provisionally total £2.821m. This is made up of £1.5m that represents our risk-assessed level of general reserves, £0.682m of cost centre balances brought forward from 2013/14 and £0.639m underspend for 2014/15.
- 4.2 There are some specific commitments made in 2014/15 but where the actual expenditure has been delayed and an additional commitment that has arisen since the 2015/16 budget was finalised. Overall these commitments total up to £180k including £150k to cover a four year extension of the current software licence for the Service's Sytle performance management system. Sytle has been chosen as the preferred performance management tool for the new combined Service. The contract extension and funding have been approved by the Chief Fire Officer, Clerk and Treasurer.
- 4.3 Members will be aware that on 10 February 2015 they agreed for the remaining Olympics Legacy money that had been restricted for Weymouth Community Fire Station to be passed to the SafeWise charity to commence construction works of a RoadWise Centre. This work has now started and there is an opportunity during construction to include a sub-surface training facility. The facility will consist of a network of sewer pipes with limited access. This will provide a much needed training scenario for our technical rescue teams

at Weymouth and Poole. Current estimates suggest the cost of this during construction of the roads is between £50k and £60k. Members may also wish to consider making a donation to the RoadWise project of up to £40k to assist completion of this much needed educational centre.

- 4.4 The commitments outlined in section 4.2 and 4.3 above will reduce the 2014/15 underspend to £359k and ordinarily this would be transferred to general balances for use in future years. Given the current overall level of general balances and earmarked reserves Members are asked to support using this remaining underspend to reduce the current level of unfinanced capital expenditure. This currently stands at £4.9m and our capital financing strategy assumes that this will be financed by borrowing at some stage. We are effectively borrowing this money internally at the moment, backed by our cash balances. Making the additional contribution will reduce the amount of borrowing required and therefore further reduce future capital financing costs. In the context of the combination with Wiltshire, more than sufficient reserves will remain to support transition and the assumptions in the combination business case.

5. Capital Programme

- 5.1 Members were most recently updated with progress on schemes in the capital programme at the February Fire Authority meeting. This showed a revised budget cost of £1.957m following a number of changes to the programme during the year, and a projected outturn of £1.321m. The financial outturn position shows total spending of £1.175m and carry forwards of £750k. The table below provides a summary, and further details on specific areas of the programme follow the table.
- 5.2 Of the £1.175m actual spending during 2014/15, £518k has been financed from revenue contributions and Dorset Police have contributed £242k for the Portland fire station project. The remaining £415k has been financed with Fire Capital Grant. £799k of Fire Capital Grant funding will be carried forward to 2015/16.

Capital budget summary	Original Budget £'000s	Revised Budget £'000s	Actual Outturn £'000s	Carry Forwards £'000s	Variance £'000s
IT and Communications	245	360	66	280	14
Operational Equipment & Other Equipment	212	258	89	162	7
Vehicles	770	803	481	300	22
Station Improvements	185	536	539	13	(16)
TOTAL	1,412	1,957	1,175	755	27

5.3 IT and Communications

5.3.1 The Carry Forward amount covers three separate areas:

- (i) £75k for the replacement of the Griffin financial information system. This is being used in 2015/16 to support the move to Wiltshire's Agresso finance system;
- (ii) £90k for the replacement of breathing apparatus radios. This funding will now be moved forward to the 2016/17 financial year; and
- (iii) £115k for ICT hardware replacement and infrastructure improvements. This funding may not now be required and the projects it was originally supporting are now picked up in the ICT elements of the Transformation Bid. The funding will be held for the time being until all of the Combination requirements and costs are clear.

5.4 Operational and Other Equipment

- 5.4.1 The original budget included £142k for the replacement of firefighter helmets but, as the Authority was advised during 2014/15, this purchase had been deferred whilst operational trials were undertaken. This funding will carry forward to 2015/16, along with £20k for other equipment replacement. A purchase order for the new firefighter helmets was placed in May 2015.

5.5 Vehicle Replacement Programme

- 5.5.1 One new MAN fire appliance was purchased during the year and is now located at Sturminster Newton fire station. We have also purchased four ex-lease fire appliances where the lease has ended but the appliances still have useful life. A number of other smaller vehicles were also replaced.
- 5.5.2 The £300k carry forward amount relates to the deferment of the project to replace two aerial appliances. A further £900k is included in the 2015/16 capital programme. Wiltshire have £600k each year in 2015/16 and 2016/17 for the replacement of their two aerial appliances. A decision on the replacement requirements for these four vehicles has not yet been made.

5.6 Station Improvements and Other Property Works

- 5.6.1 The budget was increased by £106k carried forward from last year to complete some projects straddling the financial year end and by a further £245k during the year to fund some initial work for the RoadWise project and more particularly the development at Portland fire station to accommodate Dorset Police. This project has progressed well and is now complete. £13k needs to be carried forward to complete a project straddling this financial year end.

6. Summary

- 6.1 The provisional revenue budget outturn position shows general balances increasing by £639k, to £2.821m. Allowing for carry forward items, funding for Sycle, a further contribution towards RoadWise and the new technical rescue training facility would reduce this amount to £2.541m. Earmarked reserves are currently shown as reducing by £181k to £8.296m.
- 6.2 Capital expenditure totalled £1.175m against a revised budget figure of £1.957m. There are a number of projects which could not be completed in 2014/15 and £755k of funding will need to be carried forward to meet the costs of these.

DARRAN GUNTER

Chief Fire Officer

June 2015

Revenue Budget Summary 2014/05

Appendix A

Strategy	Programme	Original Budget	Carried forward items	Other virements	Revised budget virement	Current Budget ¹	Expected Outturn	Variance ²	Variance to Original Budget	Key Issues
Assets	Operational Assets	961	12	9	-10	972	917	55	44	2.3
	ICT	698	18	24	-47	694	663	31	36	2.4
	Property	2,194	56	1	-72	2,180	2,065	115	129	2.5
	Support Budgets	10	0	0	-5	5	4	0	6	
	ASSET STRATEGY TOTAL	3,864	86	34	-134	3,850	3,649	201	215	
Community Safety	Intervention	345	11	129	50	535	521	14	-170	2.6
	Prevention	320	47	-47	-69	252	138	113	182	2.7
	Protection	58	0	4	0	62	52	9	6	
	Support Budgets	93	0	-2	-20	71	60	10	33	
	COMMUNITY SAFETY STRATEGY TOTAL	816	58	84	-39	919	772	147	45	
Governance	Governance	11	0	0	0	11	4	7	7	
	Central Budgets	2,527	1	61	-86	2,513	2,499	14	28	2.9
	Support Budgets	22	0	3	0	25	24	0	-3	
	GOVERNANCE STRATEGY TOTAL	2,559	1	64	-86	2,549	2,527	22	32	
People	Employee Development & Resourcing	292	4	9	16	321	334	-13	-42	
	Employee Services & Support	163	2	31	-14	182	169	13	-6	
	Equality & Diversity	5	0	0	-1	4	3	1	3	
	Health & Safety	8	0	0	0	8	7	1	0	
	Pay	21,761	0	-38	-612	21,112	20,824	288	937	2.1
	Ill Health and Injury Pensions	918	0	0	-43	875	925	-50	-7	2.2
	Support Budgets	25	0	0	-8	17	13	4	11	
	PEOPLE STRATEGY TOTAL	23,172	6	2	-662	22,518	22,275	243	896	
Earmarked Reserves		-564	0	-11	422	-164	-181	17	-383	
General Balances		0	-151	-173	330	6	639	-633	-639	
REVENUE BUDGET TOTAL		29,847	0	0	-169	29,678	29,681	-4	166	
TOTAL FUNDING		-29,847	0	0	169	-29,678	-29,681	4	-166	

¹ Current budget reflects original budget adjusted for approved virements² Variance = Current budget less expected outturn

Green = within budget

Amber = up to 5% overspend

Red = 5%+ overspend

Yellow = underspend