



Dorset Fire Authority

MEETING	Dorset Fire Authority
DATE OF MEETING	5 December 2014
OFFICER	Chief Fire Officer
SUBJECT OF THE REPORT	Second Quarter Financial Performance Report
EXECUTIVE SUMMARY	<p>This report provides an analysis of the financial position as at 31 October 2014.</p> <p>Section 2 of the report deals with the revenue budget and highlights a potential underspend of £508k, or 1.7% of the original budget. £400k of the underspend comes from savings against pay budgets, and in particular the retained duty system pay budget.</p> <p>Section 4 updates Members on the capital programme, with an updated total programme cost of £1.957m indicated, including a collaborative scheme at Portland Fire Station which is being funded by Dorset Police. Actual spending against the programme by year end is predicted to be £1.616m.</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"> Note and comment upon the current financial position; and Approve the transfer of £500k from cost centre balances to earmarked reserves as additional support for transformation (see section 3.3 of report).
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	982	982	0	
	ICT	698	730	730	0	
	Property	2,194	2,250	2,193	56	2.3
	Support Budgets	10	10	10	0	
	ASSET STRATEGY TOTAL	3,864	3,972	3,916	56	
Community Safety	Intervention	345	426	426	0	
	Prevention	320	325	325	0	
	Protection	58	58	58	0	
	Support Budgets	93	92	92	0	
	COMMUNITY SAFETY STRATEGY TOTAL	816	902	902	0	
Governance	Governance	11	12	12	0	
	Central Budgets	2,527	2,659	2,438	221	2.4, 2.5
	Support Budgets	22	22	22	0	
	GOVERNANCE STRATEGY TOTAL	2,559	2,692	2,471	221	
People	Employee Development & Resourcing	292	294	294	0	
	Employee Services & Support	163	168	168	0	
	Equality & Diversity	5	5	5	0	
	Health & Safety	8	8	8	0	
	Pay	21,761	21,788	21,384	405	2.1
	Ill Health and Injury Pensions	918	918	922	-4	2.2
	Support Budgets	25	25	25	0	
PEOPLE STRATEGY TOTAL	23,172	23,206	22,806	401		
Earmarked Reserves		-564	-752	-752	0	3
General Balances		0	-173	-173	0	3
REVENUE BUDGET TOTAL		29,847	29,847	29,170	678	
TOTAL FUNDING		-29,847	-29,847	-29,678	-170	2.5

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 October 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 The NJC for Local Authority Fire and Rescue Services offered a pay increase of 1% for uniformed staff (WDS, RDS and Fire Control) from 1 July 2014. This was implemented in the August 2014 payroll. The budget allowed for a 2% increase. The saving in 2014/15 is worth around £125k.
- 2.1.2 For the wholetime pay budget, after allowing for expected retirements and including a provision for additional pre-arranged overtime costs for the remainder of the year, an underspend of £113k is expected. At the end of October, wholetime strength was sixteen below budget at 258, although this does include one member of staff who is on a career break and therefore not a cost to the Service at the moment, and four RDS staff on temporary contracts to cover gaps in the establishment. We expect six or seven further ordinary retirements before the end of the financial year.
- 2.1.3 So far the cost of providing cover during strike action totals £289k and £71k has been deducted from striking employees, leaving a net cost of £218k. This covers all strike periods to the end of September. The recent four day strike period will be reflected in November's payroll costs. The net cost so far can be absorbed by the pay budget but reduces the saving from the pay award and vacancies.
- 2.1.4 The total cost of retained incident response and other hourly payments for the first seven months of the financial year was £749k against a predicted budget profile of £950k, representing a saving of £201k. For the same period last year, total costs were £794k. A saving of £69k is forecast for other retained salary costs, including pension and national insurance savings arising from the saving on incident response and hourly duties. At the end of October current staffing strength against establishment showed a shortfall of 61 full cover equivalent staff, with particular issues at Shaftesbury and Wareham. This shortfall will lead to further savings on the retained pay budget over the remaining five months of the financial year.
- 2.1.5 The Fire Control pay budget currently shows an overspend of £15k mainly as a result of overtime payments. Crewing in fire control is extremely difficult at the current time and the pay budget will be quite volatile this year.
- 2.1.6 The support staff pay award has recently been settled by the Local Government Employers and trade unions. A 2.2% pay award will apply from 1 January 2015 and covers the period to 31 March 2016. Additionally there are higher percentage increases on the bottom six SCPs and one-off payments in December 2014 and April 2015. Looking at

the pay award in isolation then overall, compared to allowances made in the budget for 2014/15, £50k should be saved this year. Ongoing budget savings of around £80k are estimated for 2015/16 onwards.

- 2.1.7 Although the support staff pay budget should show a saving of £50k, at the current time the predicted saving is slightly less at £37k. There are a number of vacancies being held, but temporary cover arrangements and some contract extensions are leading to increased costs. Employer pension costs have also increased as a result of pensions auto-enrolment. This has encouraged a number of members of staff to join the Local Government Pension Scheme, having previously not elected to do so. This additional cost is estimated at £20k.

2.2 Ill-health and Injury Pensions

- 2.2.1 The original budget includes £830k for the costs of ongoing ill-health and injury pensions. Spending over the first seven months indicates that actual costs will be £834k.
- 2.2.2 The original budget also includes £88k for the payment of additional 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 is a provision against any new ill-health retirements, but at this stage none are expected.

2.3 Property

- 2.3.1 The Service has received a refund of £42k in respect of business rates recharges in connection with Weymouth Community Safety Centre. This follows agreement on the service level agreement between the Service and the SafeWise charity which now allows the charity to be billed direct for their share of business rates, but with an 80% charitable relief reduction. This reduction has been backdated to 1 April 2013. The refund, together with the reduction in cost against 2014/15 budget provision, means that the overall budget for business rates should be underspent by £56k.

2.4 Treasury Management

- 2.4.1 The budget includes £60k for income from investing surplus cash flows. £26k has been received in the first seven months of the financial year. This report assumes an expected outturn of £51k.
- 2.4.2 The budget currently includes £511k for interest charges on external loans. No new borrowing has yet been undertaken this financial year and this report assumes a projected total cost for the year of £425k. This may reduce further if the borrowing position does not change.

2.5 Government Funding and Business Rates Retention

- 2.5.1 The 2014/15 revenue budget was set on the basis of the baseline funding assessments published in the local government finance settlement. Due to the introduction of the business rates retention funding model, there is now a difference between DCLG assumptions about business rates income and actual levels of income being declared by the billing authorities. This is partly due to varying local factors and also additional business rates reliefs announced by the Chancellor.
- 2.5.2 For 2014/15 the budget assumes 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.

2.6 Grants and Partnership Activity

- 2.6.1 Grant funding of £2.188m has been brought forward from 2013/14. This includes £1.343m for the Networking Fire Control Services Partnership (NFCSP), £151k for the regional Secure Information Interchange project and £169k for New Dimension. £85k of the New Dimension funding is being used to provide additional training facilities at Bridport fire station.
- 2.6.2 The funding for NFCSP and Secure Information is required to fund costs being incurred in 2014/15 and future years. The majority of the £1.343m for NFCSP will be incurred during 2014/15 and 2015/16, as the new system is implemented. Net spending to the end of October 2014 totalled £297k. The Secure Information Project has now formally closed and the remaining funding will be allocated across the four participating FRSs as agreed by the Secure Information Programme Board.
- 2.6.3 DCLG are providing Fire Revenue Grant funding of £247k for 2014/15. This covers £199k to part fund Firelink charges and £48k for New Dimension.

2.7 Combination Costs

- 2.7.1 At the current time total direct non-staff costs estimated at £115k have been incurred this financial year. The majority of these costs are for the extensive programme of external consultation. Dorset's 50% 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 In line with the Strategic Budget Principles agreed by the Authority we continue to take a prudent approach to the management of our reserves and balances. The main focus is to use reserves and balances to reduce debt, provide funding for Service transformation and manage the impact of funding cuts.

- 3.2 At the end of March 2014, the level of cost centre balances stood at £682k. In June the Authority approved the transfer of £151k from cost centre balances to fund items of expenditure carried over from last year and a further £22k has been allocated in 2014/15 to fund additional spending pressures in year. This leaves cost centre balances at an estimated level of £509k. The current financial performance would add a further £508k to cost centre balances, taking them to an overall figure of £1.107m.
- 3.3 At the Budget Working Group on 21 November 2014, Members considered the transfer of a further £500k to reserves this year to support work towards the Combination and the establishment of the Joint Command and Control Centre (JCCC). This will allow us to establish a separate reserve for the JCCC Project, whilst maintaining sufficient funds in the existing Business Transformation Reserve. This is in line with the proposals in the Final Business Case for Combination and would also bring our reserve position for transformation in line with that of Wiltshire FRS.

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, taking the approved capital programme to £1.712m.
- 4.2 Members will be aware of a proposal for site sharing with Dorset Police at Portland fire station. This project has now been confirmed and work commenced. An initial estimate of £235k is now reflected in the capital programme and the cost of the works is being entirely funded by Dorset Police. A nominal £10k is also included for RoadWise, funded from the reserve set up in 2013/14. These two changes bring the revised total for the 2014/15 capital programme to £1.957m, with £1.722m of this total being funded by this Authority.

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

- 4.3 £521k of funding for the capital programme is being met from revenue budget contributions or reserves and the remaining £1.201m of funding will be met from Fire Capital Grant allocations, £902k allocated for 2014/15 and £299k brought forward from 2013/14. That leaves £13k of Fire Capital Grant still available.

- 4.4 The current estimate of total capital spend for the year is £1.616m (see Appendix A). This takes account of the deferment of spend highlighted previously for replacement firefighter helmets and BA radios. In addition the £75k for the new financial system has also been deferred at this stage. The £300k programmed this year to begin the replacement of two aerial appliances is still included but may well also be deferred.

DARRAN GUNTER

Chief Fire Officer

27 November 2014

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	15,867	42,633	58,500
Communications Equipment	12,000	0	0	12,000	850	11,150	12,000
	155,500	40,000	0	195,500	47,429	148,071	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	45,548	29,952	75,500
PPE	177,200	5,000	0	182,200	7,585	174,615	35,400
	211,700	46,000	0	257,700	53,133	204,567	110,900
PROPERTY PROGRAMME							
Station Improvements	185,000	80,000	0	265,000	191,219	73,781	235,000
Portland Fire Station	0	0	235,000	235,000	234,564	436	235,000
RoadWise	0	0	10,000	10,000	8,325	1,675	10,000
Training Centre Classrooms	0	26,400	0	26,400	18,072	8,328	26,400
	185,000	106,400	245,000	536,400	452,180	84,220	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	300,000
Scania B Type Fire Appliances	335,000	0	0	335,000	249,259	85,741	335,000
Support Vans	135,000	0	0	135,000	121,418	13,582	135,000
Provided / Pool Cars	0	32,800	0	32,800	32,072	728	32,800
	770,000	32,800	0	802,800	402,750	400,050	802,800

SUMMARY

ICT Programme	155,500	40,000	0	195,500	47,429	148,071	195,500
MIS Programme	90,000	75,000	0	165,000	0	165,000	0
Equipment Programme	211,700	46,000	0	257,700	53,133	204,567	110,900
Property Programme	185,000	106,400	245,000	536,400	452,180	84,220	506,400
Vehicle Programme	770,000	32,800	0	802,800	402,750	400,050	802,800
TOTAL SPEND	1,412,200	300,200	245,000	1,957,400	955,491	1,001,909	1,615,600