



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Item 07

MEETING	Finance and Audit Committee
DATE OF MEETING	6 July 2016
SUBJECT OF THE REPORT	Provisional Outturn Report 2015/16 (and Debts Written Off) - Wiltshire and Swindon Fire Authority
STATUS OF REPORT	For open publication
PURPOSE OF REPORT	For noting and decision.
EXECUTIVE SUMMARY	<p>This report details the final outturn (year end financial position) for both the revenue and capital budgets 2015/16.</p> <p>The management team's strategy continued with a series of actions and reviews designed to reduce costs, maximise income and manage more effectively and economically, to reduce or defer spending where not immediately required or absolutely necessary. This resulted in the desired effect to at least maintain the underspending as we approached the year end, to afford the new Authority some flexibility in moving the new Service forward.</p> <p>The variance reported against the revenue and capital budgets for 2015/16 are underspendings of £1.313m and £0.420m respectively.</p>
RISK ASSESSMENT	<p>The Authority has been subject a long history of significant financial challenges and has therefore taken a prudent approach to financial management in particular, the management of reserves and balances of the Authority, to ensure that they are used in the most efficient and effective manner possible.</p>
COMMUNITY IMPACT ASSESSMENT	None for the purposes of this report.
BUDGET IMPLICATIONS	None
RECOMMENDATIONS	<p>Members are asked to NOTE:</p> <ol style="list-style-type: none"> 1. three debts written off in 2015/16 totalling £822.50; 2. the level of the revenue underspending for 2015/16 at

NOT PROTECTIVELY MARKED

	<p>£1.313m;</p> <p>3. the capital outturn position for 2015/16 of an underspending of £0.420m;</p> <p>and APPROVE:</p> <p>4. capital slippage of £0.655m to enable capital projects started in 2015/16 to be completed in 2016/17.</p>
BACKGROUND PAPERS	Medium Term Finance Plan 2016-20
APPENDICES	Appendix A - Revenue Outturn Statement 2015/16 Appendix B – Capital Outturn Statement 2015/16
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1. Introduction

- 1.1 This report summarises the final revenue and capital financial position (outturn) for 2015/16 for the former Wiltshire & Swindon Fire Authority, details of which can be found at appendices A and B attached. It also identifies how much debt was written off during the year.
- 1.2 The appendices A and B follow the usual budget monitoring format as previously presented at past meetings of the Finance Review and Audit Committee of Wiltshire and Swindon Fire Authority. 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.
- 1.3 The position on reserves and balances is also contained within the report, reflecting the movements during the year, and represents the general and earmarked funds available for use in the future, in line with the Authority’s risk strategy.

2. Debt Written Off 2015/16

- 2.1 Under Financial Regulations, the Authority is required to report the number and value of debts written off during the financial year.
- 2.2 In 2015/16, 3 debts were written off, totalling £822.50, involving one overpayment of a pension shortly after a pensioner died (£322.50), and two others for the non payment of the alarm line facility.

3. Summary of Revenue Outturn for 2015/16

- 3.1 At the Wiltshire and Swindon Fire Authority meeting on 13 February 2015, the Fire Authority approved the Revenue Budget 2015/16 of £24.608m (inclusive of the use of £0.179m general balances to balance the budget). Appendix A details the final outturn position of net revenue expenditure of £23.295m for the year against the approved budget resulting in an underspending of -£1.313m.
- 3.2 Further details of the main variations between the Revenue Budget 2015/16 and the final outturn position are shown below (see also Appendix A). Underspendings are shown as a negative figure and overspendings as a positive figure.

Employees (notes 1-5) (-£0.885m)

- 3.3 Note 1: Wholetime costs were underspent by -£0.394m. These savings have arisen as a result of the recruitment freeze, where posts have remained vacant at varying roles/grades and have been held open or not filled on a permanent basis, allowing officers to act up (resulting in vacancies at a lower level), with the view that, when new duty systems have been agreed that compulsory redundancies would be avoided. Also included are savings

resulting from secondment of officers to Fire Service College and Defence Science Technology Laboratory (DSTL) and savings as the pay award was only 1%, not 2% as budgeted.

- 3.4 Note 2: On-call (retained) costs have underspent against budget by -£0.291m with the on-call salary scheme being operated throughout 2015/16 at 9 stations across Wiltshire & Swindon. Availability and retention of the on-call staff has continued to be an issue, as annually reducing numbers of incidents gives us some concern and has led to an increasing number of on-call firefighters resigning and leaving the service. Recruitment of on-call staff is continuing throughout the Service.
- 3.5 Note 3: Overall, spending on the Control Budget has been less than budgeted by -£0.062m, primarily due to vacancies throughout the year.
- 3.6 Note 4: Additional spending on corporate staff has meant an overspending of £0.187m. This is due to backfilling arrangements and additional work being undertaken in ensuring the success of the staff transition to the new service. Staff have been taken on to fill some gaps either on a fixed term contract or through an agency cover arrangement until such times the impact of the combination has been addressed.
- 3.7 Note 5: Other employee costs have underspent by -£0.325m. This is largely due to:-
- a reversal of a provision set aside in 2014/15 for -£0.300m for firefighter commutations. The provision was established in 2014/15, however the costs have since been met through central government funding, and therefore the provision is no longer needed;
 - reduced attendances at conferences and seminars, saving -£0.019m;
 - additional personnel initiatives, £0.012m;
 - reduced occupational health referrals saving -£0.015m;
 - savings on training courses -£0.023m; and,
 - other minor variations, £0.020m.

Premises Costs (note 6) (£0.003m)

- 3.8 Premises costs are more than budgeted by £0.003m mainly due to:
- additional grounds and building maintenance, £0.030m;
 - cleaning costs higher than expected £0.009m;
 - savings on utilities -£0.046m
 - other minor variations £0.010m.

Transport Costs (note 7) (-£0.060)

- 3.9 Transport costs are less than the budget by -£0.060m, mainly due to the following variations:

- additional vehicle maintenance costs of £0.007m;
- reduced prices for fuel and oil and lower consumption resulting in savings of -£0.066m; and,
- other minor variations -£0.001m.

Supplies and Services Costs (note 8) (-£0.120m)

3.10 Supplies and Service costs are less than budgeted by -£0.120m, primarily as a result of the following main variations:

- Operations/Personal Protective Equipment, -£0.013m;
- Equipment maintenance and replacement, -£0.093m;
- Furniture, £0.015m;
- Photocopying, -£0.022m;
- Postage/franking, -£0.009m;
- Books and publications, -£0.015m;
- Radios/call out systems, -£0.015m;
- Telephones and mobiles, £0.050m;
- Computer costs, -£0.043m;
- Hydrants, -£0.026m;
- Licenses & royalties, £0.014m;
- Subscriptions, £0.012m; and,
- Catering and provisions, £0.019m; and,
- Other minor variations, £0.006m.

Agency and Contracted-out Services (note 9) (-£0.177m)

3.11 There are a number of savings accruing from various agency and other contracts, most notably:-

- provisions were made for consultancy re: combination work, but were not used in full, resulting in savings of -£0.058m;
- Legal/clerking costs savings in respect of combination work, -£0.091m;
- Savings due to payroll changes deferred to 2016/17, -£0.011m;
- Additional pension system changes in respect of the introduction of the 2015 Firefighters Pension Scheme, £0.012m
- Savings on actuarial costs, -£0.010m; and,
- other minor variations, -£0.019m.

Democratic Representation (note 10) (£0.001m)

3.12 The cost of Democratic Representation was largely on budget, with a very minor variation.

Capital Financing and leasing Costs (note 11)(-£0.160m)

- 3.13 There is an underspending arising mainly due to reduced leasing costs, and one-off refunds for changes in respect of leasing accounting and financing regulations, resulting in savings on leasing of -£0.153m. Further savings have been made on capital charges (i.e. depreciation and interest) where costs were less than anticipated when the budget was set as a result of capital slippage, i.e. assets being purchased in later years, resulting in savings of -£0.007m.

Income (notes 12-14) (-£0.074m)

- 3.14 Note 12: General income was better than expected by -£0.017m, mainly from the sale of surplus assets.
- 3.15 Note 13: Treasury Management activities have accumulated an additional -£0.025m as a result of higher cash balances than expected and higher yields and better performance on investments.
- 3.16 Note 14: Additional grants and contributions not expected have been received amounting to -£0.032m, bring the total additional income to -£0.074m.

Contribution to/from(-) Earmarked Reserves (note 15) (£0.159m)

- 3.17 Note 15 : Contributions to/from earmarked reserves totalling £2.598m which were made in respect of the following:-
- annual contribution to major equipment refresh, £0.100m;
 - contribution from ill-health retirement reserves, -£0.111m;
 - use of transformation reserves in 2015/16, -£0.843m;
 - transfer of grant to transformation grants reserve, £5.540m;
 - use of transformation grant in 2015/16, -£2.553m; and,
 - a net contribution to unused grants reserves, £0.465m.

3.18 The variance against the budget of £2.439m contribution to reserves, i.e. £0.159m represents a net shortfall against the budget for contributions from earmarked reserves.

Reserves	Original Budget 2015/16 £m	Adjust's 2015/16 £m	Revised Budget 2015/16 £m	Outturn 2015/16 £m	Variance 2015/16 £m
General balances	-0.179	0.000	-0.179	0.000	0.179
Equipment refresh	0.100	0.000	0.100	0.100	0.000
Ill health retirement	-0.038	-0.073	-0.111	-0.111	0.000
Transformation Reserves	0.000	-0.843	-0.843	-0.843	0.000
Transfer of Transformation Grant	0.000	5.540	5.540	5.540	0.000
Transformation Grants Reserve	0.000	-2.553	-2.553	-2.553	0.000
Other Unused Grants Reserve	-0.240	0.725	0.485	0.465	-0.020
	-0.357	2.796	2.439	2.598	0.159

4. Summary of Capital Outturn 2015/16

- 4.1 The original Capital Programme for 2015/16 was also approved at the February 2015 Fire Authority meeting at £9.098m plus slippage from previous years programmes of £0.049m, resulting in a total capital budget for 2015/16 of £9.147m.
- 4.2 At the December 2015 meeting of the CFA, Members approved a further revision to the total Capital Programme of -£5.419m to a revised capital programme of £3.728m allowing for changes and delays anticipated at that time.
- 4.3 For 2015/16 the final outturn position shows expenditure for capital purposes of £3.308m resulting in an underspending of -£0.420m against the revised budget of £3.728m as shown in Appendix B.

- 4.4 Further details of the main variations between the Capital Budget 2015/16 and the final outturn position are shown below (see also Appendix B). Underspendings are shown as a negative figure and overspendings as a positive figure.

Property/Estates (notes 1-2) (-£0.375m)

- 4.5 Note 1: General property/estates show a net underspending of -£0.191m. This is mainly due to the significant works being carried out at Salisbury Fire Station and some minor works carried out at other stations, which have not been completed in 2015/16, but will be in 2016/17. A request is therefore made to carry forward the underspending to 2016/17 to complete the works in 2016/17.
- 4.6 Note 2: Works originally expected to be completed before the end of 2015/16 on the Strategic Hub and Safety Centre projects as part of the transformation programme were delayed to 2016/17 resulting in the underspending of -£0.183m. Slippage is requested to be rolled forward to 2016/17. This is funded from Transformation Grant.

Information and Communication Technology (notes 4-9) (£0.008m)

- 4.7 Note 3: The timing of the new finance system and upgrade has meant that costs of £0.005m have been incurred higher than budgeted. This is funded from Transformation Grant and contributions from the former Dorset FRS.
- 4.8 Note 4: There are a number of ICT projects, namely Gartan Screen Replacement, Mobile Working, User Devices and Video Conferencing which have underspent primarily as a result of deferrals and delays due to the combination, which will be completed in 2016/17, therefore requests are made for slippage to 2016/17.
- 4.9 Note 5: ICT Harmonisation is underspent by -£0.029m, again due to project timing and implementation required in 2016/17, rather than 2015/16, resulting in the underspending. This slippage is requested to be rolled forward to 2016/17.
- 4.10 Note 6: Grant funds are set aside for expenditure on the Networked Fire Control Services Project, a partnership with Hampshire FRS and Devon and Somerset FRS. Spending on this in 2015/16 was £0.166m over budget, however this is as a result of changing contract scheduled payments to Capita on meeting the key milestone dates of both Dorset and Wiltshire FRSs. This is funded from set aside grant.
- 4.11 Note 7: Spend largely in line with budget with minor variations.
- 4.12 Note 8: ICT Infrastructure, primarily in relation to the Safety Centre has been delayed until such time the centre has been built. A request is made to roll this forward. This is funded from the Transformation Grant.
- 4.13 Note 9: Underspending of -£0.009m as no longer required, due to ICT harmonisation.

Vehicles (-£0.077m) and Equipment (0.024m) (notes 10-15)

- 4.14 Note 10: One vehicle has been ordered and the remaining three have been delayed pending a review to be carried out in 2016/17. A request is made to roll forward to 2016/17 (-£0.124m).
- 4.15 Note 11: Costs not originally budgeted in respect of fitting blue lights to vehicles, have resulted in an overspending of £0.020m.
- 4.16 Note 12: Fleet support van costs much less than budgeted resulting in an underspending of -£0.015m.
- 4.17 Note 13: Additional vehicles (and equipment) were required which are funded from grant reserves i.e. a salamander minibus (£0.016m) and control van (£0.009m).
- 4.18 Note 14: Three large pumping appliances which were due to be returned at the end of their lease agreement have been purchased (£0.037m) with the agreement of the Chairman, in accordance with Financial Regulations. Originally, three new large appliances were due to be purchased, however these were delayed subject to a review being undertaken across the whole new service.
- 4.19 Note 15: Three thermal image cameras were purchased in 2015/16 to complete the replacement programme from 2014/15, originally charged to the revenue budget (£0.009m), plus a driving simulator funded from salamander resources (£0.015m).

Summary of Capital Slippage Request for roll forward

- 4.20 A request is made to roll forward capital budgets (capital slippage) totalling £0.655m, as identified in Appendix B, namely:-
- Property/estates capital works (note 1), £0.191m;
 - Property/estates strategic hub/safety centre (note 2), £0.184m;
 - Gartan screen replacements (note 4), £0.002m;
 - Mobile working (note 4), £0.011m;
 - User devices (note 4), £0.003m;
 - Video conferencing (note 4), £0.008m;
 - Infrastructure harmonisation (note 5), £0.029m;
 - Safety centre ICT infrastructure (note 8), £0.104m;
 - Rural rescue 4x4 vehicles, (£0.124m);

Capital Financing 2015/16

- 4.21 The financing of the capital programme for 2015/16, i.e. how is it paid for, is established at the start of the following financial year once the outturn position is known. In summary, the capital programme can be funded through a number of sources, i.e. through direct revenue

financing, prudential borrowing, capital grants and contributions or capital receipts. The Service has been awarded a number of grants for the Networked Fire Control Services Partnership Project and for Transformation which it has used to finance part of the capital programme. The remaining balance above that funded through grants in 2015/16, is to be financed through use of reserves/direct revenue financing and/or prudential borrowing, i.e. internal/external borrowing. Prudential external borrowing is where loans are taken out to cover approved capital expenditure not paid for by grants or through direct revenue funding, and where decisions by the Authority are taken on affordability and prudence in establishing its capital requirements. Internal borrowing is where surplus cash balances are used, rather than taking out external loans.

4.22 The 2015/16 capital programme will therefore be financed as follows:-

	Expenditure 2015/16 £	Financing 2015/16 £	Total 2015/16 £
Capital Outturn 2015/16	3,308,487		3,308,487
<u>Financed by:</u>			
Direct Revenue Financing			
- Transformation Grant Reserves		-2,005,116	
- Service Control Reserves		-9,186	
- NFCSP Grant Reserves		-215,670	
- Other Grant/Earmarked Reserves		-30,590	-2,260,562
Capital Contributions		-75,000	-75,000
Prudential Borrowing		-972,925	-972,925
Total 2015/16	3,308,487	-3,308,487	0

5. Balances, Reserves and Provisions (see appendix A)

5.1 The position in respect of revenue reserves (general balances and earmarked reserves), provisions and unused grants reserves held by the Service as at 31 March 2016 are shown in Appendix A.

- 5.2 **General Reserves and Balances** – general balances and reserves at the end of 2014/15 were £2.087m. The underspending in 2015/16 if added to general balances will mean they will be £3.400m at 31 March 2016.

General Reserves & Balances	Balance 01/04/15 £	Transfers in(+) £	Transfers Out(-) £	Outturn 2015/16 £	Balance 31/03/16 £
General Reserves & Balances	2,087,482			1,313,208	3,400,690
TOTAL	2,087,482	0	0	1,313,208	3,400,690

- 5.3 The Authority's policy on general reserves and balances was to maintain a minimum level of general reserves and balances at £1.5m, which means that the Authority has an additional £1.9m general reserves and balances available.
- 5.4 These general balances will be aggregated with the former Dorset Fire Authority general balances and will need to be considered in light of the risk assessment carried out prior to combination. DFA have provisional general balances as at 31 March 2016 of £3.309m, giving a total general balances for Dorset and Wiltshire Fire and Rescue Authority of £6.71m against which £2.5m risk assessed general balances are required, meaning an additional £4.21m will be available to the new Authority for other purposes. A strategy for using these balances is being developed by officers and a report will be brought to the next meeting of the Finance and Audit Committee.
- 5.5 **Other earmarked reserves, provisions and unused grants** – Earmarked reserves, provision and unused grants have been established for specific purposes, and therefore any transfers to and from will be made in respect of those specific approved purposes. If they become no longer relevant in respect of their original purpose they will be transferred into general reserves and balances.

Other Reserves and Balances	Balance 01/04/15 £	Transfers in(+) £	Transfers Out(-) £	Balance 31/03/16 £
Earmarked Reserves	5,400,148	988,119	-959,656	5,428,611
Provisions	782,754	0	-312,530	470,224
Unused Grants Reserves	1,189,744	5,566,073	-2,997,783	3,758,034
TOTAL	7,372,646	6,554,192	4,269,969	9,656,869