



**DORSET & WILTSHIRE  
FIRE AND RESCUE  
AUTHORITY**

Item 17/22

MEETING	Finance, Governance and Audit Committee
DATE OF MEETING	7 July 2017
SUBJECT OF THE REPORT	Provisional Outturn Financial Performance 2016/17
STATUS OF REPORT	For open publication
PURPOSE OF REPORT	For information and decision
EXECUTIVE SUMMARY	<p>This report provides an analysis of the provisional outturn financial performance for the 2016/17 financial year.</p> <p>Section 2 of the report deals with the revenue budget which shows a provisional underspend of £3.45m, compared to £3.3m reported previously. Significant savings have been made on employee costs, as reported during the year, and income from grants and contributions also shows an increase compared to budget.</p> <p>Section 3 deals with reserves and balances and shows the impact of the underspend on general balances, as well as taking into account decisions made by the Fire Authority during the year to release funds from earmarked reserves that are no longer required, and to establish some new reserves.</p> <p>Section 4 shows the outturn performance for the capital programme. The final budget for the capital programme was £5.5m, and actual spending totalled £2.9m. Sections 4.5 to 4.7 of the report highlight the need to carry forward £2.6m of funding to 2017-18 to complete projects.</p>
RISK ASSESSMENT	<p>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.</p>

COMMUNITY IMPACT ASSESSMENT	None undertaken as a result of this report
BUDGET IMPLICATIONS	None
RECOMMENDATIONS	<ol style="list-style-type: none"> <li>1. It is recommended that Members note and comment upon the current financial position.</li> <li>2. Members approve the carry forward of £2.647m for capital projects not completed in 2016-17.</li> <li>3. Members approve the write off of obsolete stock as required under Financial Regulations (see para 2.4.3 below).</li> </ol>
BACKGROUND PAPERS	Medium Term Finance Plan 2016-20
APPENDICES	<p>A: Revenue Monitoring Statement 2016-17</p> <p>B: Capital Monitoring Statement 2016-17</p>
REPORT ORIGINATOR AND CONTACT	<p>Ian Cotter, Head of Financial Services</p> <p>Email: <a href="mailto:ian.cotter@dwfire.org.uk">ian.cotter@dwfire.org.uk</a></p> <p>Tel: (01722) 691109</p>

## 1. Introduction

- 1.1 This report provides a summary of the provisional outturn performance on the revenue and capital budgets for the 2016-17 financial year. The net revenue budget was set in February 2016 at £54.816m and the approved capital programme, as revised in December 2016, totalled £5.423m.
- 1.2 Appendices A and B summarise the overall financial positions. 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 Employee Costs

- 2.1.1 Note 1: The Wholetime staff pay budget shows projected savings totalling £545k. This takes account of a pay award saving estimated at £153k, current vacancy levels, additional overtime costs and the employment of new firefighter recruits during the year. Wholetime strength was 424 during March, 14 below the establishment level of 438. From April 2017 the establishment level has reduced to 427 to take account of changes made in setting the 2017/18 budget.
- 2.1.2 Note 2: The final underspend on retained duty system salary costs was £891k. Whilst we continue to pursue the recruitment and retention of RDS staff across the whole of the Service there is still a significant shortfall against the establishment numbers. Additional investment has been included in the 2017-18 budget proposals to move forward with a Service-wide salary scheme for RDS staff. In financial terms this should make the budget and spend much more predictable than the traditional pay-as-you-go system operating on most stations at the moment.
- 2.1.3 Note 3: The Fire Control pay budget shows an overspend of £154k, slightly more than previously forecast. As Members will be aware additional staffing resources were allocated to Fire Control and additional overtime costs have been incurred as a result of transition arrangements and over-crewing whilst the system instability issues are being addressed.
- 2.1.4 Note 4: The Corporate staff pay budget shows a final underspend of £644k. As reported previously there has been significant change to corporate staffing structures as a result of the Combination, staff turnover levels have increased and we have experienced difficulties in filling vacant posts. This is a unique situation resulting in a significant one-off underspending this financial year.
- 2.1.5 Note 5: Other Employee Costs includes a budget of £1.311m for ill-health and injury pension costs. Actual spending was £1.343m, an overspend of £32k resulting mainly from one-off ill-health contributions payable. This budget line

also includes the £1.0m provision allowed to meet the costs of employment termination costs associated with the Combination. The majority of the costs incurred to date, £933k in total, were charged against the 2015-16 accounts of Dorset and Wiltshire as separate authorities. £64k has been saved on occupational health costs mainly as a result of the early termination of the former Wiltshire contract. A procurement exercise is currently underway for the provision of a new Occupational Health contract. The report reflects a projected underspend of £872k in total against Other Employee Costs.

## 2.2 Premises

2.2.1 Note 6: Overall Premises costs were £70k less than the revised budget estimate, although there were additional costs and savings in a number of areas. Cleaning and waste management costs were £48k more than budgeted. Property rental costs showed an overall increase of £125k compared to the original budget, although this included £85k in respect of 5 Rivers, and the budget was revised to take account of this being funded from the Transformation Grant. There were additional rental costs for the Granary building and Kemble Air Field site.

2.2.2 £40k was saved following a review of business rates charges and £62k was saved following the vacation of the Joint Emergency Services Building in Poole and the move to new Area Offices at Ling Road. Other savings occurred on property maintenance and utility costs as the Potterne main building was vacated.

## 2.3 Transport

2.3.1 Note 7: The total saving on transport related costs was £243k. This is slightly higher than previously predicted and includes savings on the costs of diesel fuel for Service vehicles, travel allowance payments for staff and vehicle repair, maintenance and other running costs.

## 2.4 Supplies and Services

2.4.1 Note 8: The revised budget included £251k for the purchase of new smoke detectors and associated equipment. Previous reports indicated a potential underspend of £100k, but the outturn shows an underspend of £165k. Spending slowed further whilst we awaited the conclusion of a national procurement project to establish a new framework contract for the purchase of smoke alarms.

2.4.2 £450k was included within this budget line for transition costs associated with the migration of ICT software systems. The migration process is progressing well, but the majority of costs have yet to be incurred. The £450k funding has been moved back to reserves for use in 2017/18 and future years.

2.4.3 Obsolete stock with a value of £37k has been written off during the year. This relates to items of branded work wear and uniform that cannot be used in the new Service. The stock has been donated to Operation Florian, a charity that provides firefighting equipment and training to the world's poorest regions.

## 2.5 Agency and Contracted-Out Services

2.5.1 Note 9: Pensions administration costs were £69k higher than anticipated. This is due to costs for system upgrades passed on by our two pensions administrators, as well as ongoing additional work required due to national pensions changes. The Service is currently undertaking a procurement exercise, in conjunction with Devon & Somerset Fire and Rescue Service, for the provision a single pensions administrator, as well as a single payroll provider.

2.5.2 Spending on agency and consultancy costs were £66k more than included in the budget. In the main these costs result from the Safety Centre project and the additional costs will be funded from the Transformation Grant.

2.5.3 These additional costs have been offset by savings of £56k made in respect of audit and legal costs.

## 2.6 Democratic Representation

2.6.1 Note 10: A saving of £10k has been made against Members Allowances due to Member changes in year.

## 2.7 Capital Financing and Leasing Costs

2.7.1 Note 11: The saving of £59k relates to interest payments and leasing charges that were lower than forecast. The original budget included £3.12m associated with capital finance and treasury management costs. Actual costs totalled £3.979m, including £884k in respect of revenue financing for the capital programme. The £884k has been financed by contributions from the Capital Reserve, Transformation Grant, Network Fire Control Services (NFCS) Grant and £99k from this year's underspend, all in accordance with the budget strategy agreed by the Fire Authority.

## 2.8 Income

2.8.1 Note 12: The main elements of General Income received during the year were £128k in respect of the use of our premises and £50k for co-responder activity.

- 2.8.2 Note 13: Whilst the Authority retains significant cash balances the low level of investment returns available in the market mean that actual investment income for the year totalled £65k, compared to a budget of £80k.
- 2.8.3 Note 14: Income of £3.1m was received in the form of Section 31 government grants. This included £1.627m for PFI, £500k for Firelink, £319k relating to business rates retention, £216k additional grants announced in the Local Government Finance Settlement and two new grants received in March 2017. These latter two, £363k for the Emergency Services Mobile Communications Programme (ESMCP) programme and £120k for New Risks, have been transferred to reserves for use in 2017/18. Reimbursements received for staff on secondment to other organisations totalled £146k. Other grants and contributions totalling £750k were received including partner funding of £312k for the Dorset Civil Contingency Unit and £260k for the Network Fire Control Services programme. The remaining £178k related to prevention activity, such as the Salamander and SPARC programmes.

### 3. Reserves and Balances (Note 15)

- 3.1 Appendix A (second table – lower half) shows the anticipated position regarding reserves and balances as at March 2017.
- 3.2 General balances stood at £6.701m as at 1 April 2016, with £254k expected usage in 2016-17 in setting the revenue budget. The provisional outturn currently stands at an underspend of £3.452m. The budget proposals agreed by the Authority in February 2017 included an identified surplus of £1.368m within earmarked reserves that would be transferred to general balances and £1.2m of general balances that would be used to set aside funding for emergency medical response and ESMCP. Contributions of £96k for the Apprenticeship programme and £100k for Youth Intervention had previously been agreed. The general reserves risk assessment remains £2.5m, as reviewed in the budget setting process. Overall general balances available to support the MTFP therefore stand at £7.625m at the end of March.
- 3.3 Earmarked reserves stood at £12.344m as at 1 April 2016, with a further £4.785m held in respect of unused grants. Earmarked reserves show a net increase of £214k to £12.558m and unused grants show a net increase of £135k to £4.920m.

### 4. Capital Programme

- 4.1 The original capital programme for 2016-17 totalled £8.75m, including £3.257m in the Property/Estates budget to fund works for the new safety centre and £470k in the IT and Communications budget for ICT infrastructure works for the new Service.
- 4.2 Projects totalling £1.755m were carried forward from 2015-16 and these were approved by the Finance and Audit Committee in July 2016. Further changes

were made during the year, particularly relating to the Safety Centre development and vehicle replacement programme. At December's Fire Authority meeting members approved a revised capital programme of £5.423m for 2016-17.

- 4.3 One further change to the budget has been made to reflect capital spending on the Network Fire Control Services (NFCS) project. This takes the final revised budget to £5.5m. This spending has been financed entirely from grant reserves held specifically for the NFCS project.
- 4.4 The capital outturn costs for the year total £2.918m and have been financed by a direct charge to the revenue budget of £884k (see 2.7.1 above), £179k from capital grants brought forward from previous years and utilising retained capital receipts of £1,855k. This is in line with the budget strategy agreed with the Fire Authority and means that there was no need to undertake any prudential borrowing to support the capital programme.

#### 4.5 **Property/Estates**

- 4.5.1 Spending on capital property works totalled £948k, with larger projects being completed at Salisbury and Royal Wotton Bassett Fire Stations and smaller projects at a number of the fire stations. £106k will need to be carried forward to 2017-18 to complete projects in progress at year end. (note 1)
- 4.5.2 The revised budget reflected moving the Safety Centre construction costs to the 2017-18 capital programme, with a provisional sum of £200k allowed for Safety Centre and Strategic Hub costs in 2016-17. Actual costs for these projects totalled £86k, with the balance of £114k rolling forward to 2017-18. (note 2)

#### 4.6 **IT and Communications**

- 4.6.1 The revised budget for ICT included £320k for a number of new or replacement ICT programme requirements and £552k relating to establishing Five Rivers and wider ICT infrastructure harmonisation work.
- 4.6.2 Spending against the £320k totalled £183k during the year. There was an overspend on uninterruptable power supply (UPS) replacements due to urgent works that were required at Potterne, but has been funded from savings on other replacement costs. Mobile communications work and the incident command assessment centre project had already been deferred to 2017/18. In total £80k needs to be carried forward to 2017-18. (note 3)
- 4.6.3 The £552k included £275k earmarked for ICT harmonisation costs and £168k for the development of the new Services information management systems and website. Overall spending for the year was £191k, with the balance of £361k carrying forward to 2017-18. (note 4)

4.6.4 £126k was spent on capital costs associated with the NFCS project, funded from Government grant. (note 5)

#### 4.7 Vehicles and Equipment

4.7.1 The vehicle replacement programme was revised down to £3.036m to reflect anticipated delivery timescales on ordered vehicles and also a number of changes due to ongoing work to review future requirements. Actual spend on vehicles delivered by the end of March 2017 totalled £1.2m and we currently have purchase orders committed totalling just over £3m. This covers the two new aerial appliances, five B-type fire appliances and twelve replacement FDS officer provided cars from the 2016-17 replacement programme and a number of support vehicles. £1.9m will need to be carried forward to 2017-18 to complete the projects currently in progress. (note 6)

4.7.2 Spending on replacement operational equipment totalled £181k, with £82k needing to be carried forward to 2017-18. (note 7)

### 5. Summary

5.1 The provisional outturn for the financial year shows an underspend of £3.452m, an increase of £0.146m from that shown in the 3<sup>rd</sup> quarter report. In the main this reflects additional savings on employee costs, a number of non-pay budget savings and additional grants and contributions income being received.

5.2 The capital programme cost was revised significantly during the year to reflect the timescales required to deliver the new Safety Centre, and slippage on a number of vehicle replacement projects. Projects worth £2.647m will require funding to be carried forward to 2017-18.

**BEN ANSELL**

Chief Fire Officer

July 2017