



**DORSET & WILTSHIRE  
FIRE AND RESCUE  
AUTHORITY**

Item 17/42

MEETING	Finance, Governance and Audit Committee
DATE OF MEETING	29 September 2017
SUBJECT OF THE REPORT	1st Quarter Financial Performance 2017/18
STATUS OF REPORT	For open publication
PURPOSE OF REPORT	For information
EXECUTIVE SUMMARY	<p>This report provides an analysis of the financial position for the 1<sup>st</sup> quarter of the 2017/18 financial year, reflecting spending to 31 July 2017.</p> <p>Section 2 of the report deals with the revenue budget which highlights a potential underspend of £937k, principally arising from savings on employee costs and additional grant funding and contributions, but less reliance on reserves to support the budget.</p> <p>Section 3 provides an update on reserves and balances.</p> <p>Section 4 provides an update on the capital programme, with an updated capital programme cost of £13.807m, including items carried forward from 2016/17. Forecast spending for the year is currently £10.111m.</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	Members are asked to: 1. Note and comment upon the current financial position
BACKGROUND PAPERS	Medium Term Finance Plan 2017/2020
APPENDICES	A: Revenue Budget Summary 2017/18 B: Capital Budget Summary 2017/18
REPORT ORIGINATOR AND CONTACT	Ian Cotter, Head of Financial Services Email: <a href="mailto:ian.cotter@dwfire.org.uk">ian.cotter@dwfire.org.uk</a> Tel: 01722 691109

## **1 Introduction**

- 1.1 This report provides an update of the revenue and capital budget positions for the 2017/18 financial year and includes all known actual and committed costs to 31 July 2017. The net revenue budget was set in February 2017 at £53.486m and the approved capital programme was £11.160m.
- 1.2 Appendices A and B show the summary revenue and capital projections. 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 (note 1)**

- 2.1.1 The report shows an overall projected saving of £1.214m for Employee Costs, representing 2.8% of the budget amount. This is based on actual costs to date and projected costs based on previous spend profiles, along with anticipated staffing numbers for the remainder of the financial year. The projections also reflect the phased roll out of the new salary scheme for on-call staff, with 10 stations projected as joining in 2017/18. The full impact of the new on-call salary scheme will not be felt on the budget until 2018/19 when the remaining pay-as-you-go stations join the scheme. The projections for the remaining 8 months of the year also include £431k as the estimated impact of a 2% pay award offer for operational staff, applying from July 2017.
- 2.1.2 The budget includes a £653k transfer from the Transformation Reserve to support staffing costs. Due to the level of projected saving we do not anticipate a need to make this transfer, leaving additional funds in the Reserve to support future budgets.

### **2.2 Supplies and services (note 2)**

- 2.2.1 The budget adjustment of £104k relates to the provision of new fitness training equipment for stations in the Wiltshire and Swindon areas. The costs have been funded from reserves set aside before combination by the former Wiltshire Fire and Rescue Service.

### **2.3 Agency and contracted-out services (note 3)**

- 2.3.1 The Service has recently concluded a procurement exercise, in partnership with Devon & Somerset Fire and Rescue Service, for the provision of payroll and firefighters pension scheme administration. The new payroll contract was awarded to MHR, a Nottingham based company, and the contract is due to be fully operational from July 2018. The pensions administration contract has been awarded to the West Yorkshire Pension Fund, and is due to commence in April 2018. There will be much work taking place over the coming months to ensure a smooth implementation of

these new contracts. One-off implementation costs can be managed within this year's revenue budget.

#### **2.4 Democratic representation (note 4)**

2.4.1 Member costs are expected to be £13k below the budgeted amount, mainly due to the change in Members following the local elections.

#### **2.5 Capital financing and leasing costs (note 5)**

##### **2.5.1 Income**

2.5.2 Note 6: Income from investing surplus cash flows is currently projected to be £15k below the £80k included in the budget, reflecting continued low investment returns.

2.5.3 Note 7: The forecast for grants and contributions includes £350k of additional one off grant funding that we expect to receive through the Business Rates Retention Scheme and £188k for reimbursements received for staff currently on secondment to other organisations. Currently there are 3 staff externally funded in this way and their costs are included in the pay budget projections.

### **3 Reserves and balances (note 9)**

3.1 Appendix A (second table – lower half) shows the anticipated position regarding reserves and balances.

3.2 General balances stood at £10.124m as at 1 April 2017. The outturn estimate is currently projected at an underspend of £937k. The general reserves risk assessment remains £2.5m, as reviewed in setting the 2017/18 budget, and this is included in the £10.124m balance. Overall general balances available to support the Medium Term Financial Plan (MTFP) would stand at £8.561m at the end of March 2018, based on the projected underspend.

3.3 Earmarked reserves stood at £12.536m as at 1 April 2017 (excluding grant monies held). The original budget included a net transfer from earmarked reserves totalling £665k, mainly to support transitional staffing costs. As shown in Appendix A, the current estimate is for a net increase in earmarked reserves of £21k, with the transfer for transitional staffing costs not required (see 2.1.2 above).

### **4 Capital programme**

4.1 The original capital programme for 2017/18 totalled £11.160m, including £3.241m within the Property/Estates budget to fund works for the new safety centre, and a vehicle replacement programme totalling £5.176m. (Appendix B)

- 4.2 Projects totalling £2.647m were carried forward from 2016/17 and these were approved by the Finance, Governance and Audit Committee in July 2017. The revised capital programme for 2017/18 therefore currently totals £13.807m.

<b>Capital budget summary</b>	<b>Original budget £'000s</b>	<b>Carry forwards £'000s</b>	<b>Revised budget £'000s</b>
Property/Estates	4,690	220	4,910
IT and Communications	1,069	441	1,510
Vehicles	5,176	1,905	7,081
Operational Equipment & Other Equipment	225	81	306
<b>TOTAL</b>	<b>11,160</b>	<b>2,647</b>	<b>13,807</b>

- 4.3 The capital outturn costs for the year are currently forecast at £10.111m. Appendix B provides details.

#### 4.4 **Property/estates**

- 4.4.1 Safety centre – £3.35m is included in the programme for this project. Due to delays in commencing construction the profile of spending needs to be altered. A provisional sum of £600k is included for 2017/18 at this stage, with the remaining £2.75m carrying forward to 2018/19. A full update report on the safety centre was considered by the Fire Authority on 8 September 2017. (note 1)

- 4.4.2 There is a net reduction of £93k in respect of other property projects for this year. (note 2)

#### 4.5 **IT and communications**

- 4.5.1 BA radios - £90k was originally approved for the replacement of breathing apparatus radios. This project has been put on hold and will be reviewed again for 2018/19, pending a review of requirements. (note 3)

- 4.5.2 Mobile data terminal (MDT) replacements – £680k is allocated for the replacement of MDTs. The likely cost of replacement is now estimated at £695k. The Service has played a leading role in progressing a national procurement project for the MDT hardware. (note 4)

Safety centre – A provisional sum of £50k is included for ICT requirements for the new safety centre. This sum is unlikely to be spent during 2017/18. (note 5)

#### **4.6 Vehicles and equipment**

- 4.6.1 Aerial ladder platform (ALP) (note 6) – The programme includes £1.362m for the replacement of two ALPs. The tender process for this procurement concluded earlier in the year and a contract award was made to Rosenbauer. Due to price increases the cost of the two new vehicles is now estimated at £1.391m, an increase of £29k.
- 4.6.2 A procurement process for a third new ALP is now underway, and expected to conclude in October 2017. The procurement will look at options for a vehicle with a 42m ladder, rather than the standard 32m ladder currently used by the Service. This option is likely to add in the region of £130k-£140k to the vehicle price.
- 4.6.3 Other operational vehicles (note 7) - £425k is included in the programme for a number of special vehicles; an incident support unit (£100k), an incident command unit (£100k), a technical rescue unit (£65k) and 2 small pumping appliances (£160k). These have been deferred to 2018/19 pending the outcome of the Communities review.
- 4.6.4 A net saving of £235k is projected for other vehicles, a combination of rationalising vehicle requirements and lower than expected purchase prices.
- 4.6.5 Support vehicles (note 8) – A net saving of £92k is projected for support vehicles, again this is the result of rationalising vehicle requirements and lower purchase prices.

### **5 Summary**

- 5.1 The forecast underspend for this financial year is £937k. This reflects savings on employee costs and additional grants and contributions income being received, but offset by less reliance on the use of earmarked reserves.
- 5.2 The current capital programme costs for the year total £13.8m. Delays to the timing of a number of projects, particularly the Safety Centre, as well as savings made, mean that the forecast outturn cost for the year is now £10.1m.