



**DORSET & WILTSHIRE  
FIRE AND RESCUE  
AUTHORITY**

Item 17/56

MEETING	Finance, Governance and Audit Committee
DATE OF MEETING	15 December 2017
SUBJECT OF THE REPORT	2nd Quarter Financial Performance 2017-18
STATUS OF REPORT	For open publication
PURPOSE OF REPORT	For information and to note
EXECUTIVE SUMMARY	<p>This report provides an analysis of the financial position for the 2<sup>nd</sup> quarter of the 2017-18 financial year, reflecting spending to 31 October 2017.</p> <p>Section 2 of the report deals with the revenue budget which highlights a potential underspend of £1.22m, 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 a revised capital programme cost of £9.334m.</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> </ol>

BACKGROUND PAPERS	Medium Term Finance Plan 2017-20
APPENDICES	A: Revenue Budget Summary 2017-18 B: Capital Budget Summary 2017-18
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## 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 October 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 (note1)

- 2.1.1 The report shows an overall projected saving of £1.352m for Employee Costs, representing 3.2% 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 for the remaining five months of the year also include £434k 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.
- 2.1.3 Savings of £220k have been assumed against the budget lines for seminars and conferences, occupational health and training course costs. In addition, based on payroll costs to date, we expect the Apprenticeship Levy to cost £138k, compared to the £150k allowed in the budget.

### 2.2 Premises (note 2)

- 2.2.1 £130k of additional spending on building maintenance works has been approved, covering unplanned remedial asbestos works and appliance bay door replacements. An £80k saving on business rates has been achieved, resulting from further challenges to rateable values and consequential valuation refunds.

### 2.3 Transport (note 3)

- 2.3.1 The budget adjustment of £96k reflects a change to billing arrangements for the servicing and maintenance of ‘New Dimensions’ vehicles. Fire and Rescue Authorities (FRAs) are now charged directly for these costs, and

provided with additional grant funding to match the payments. (See also Note 10.)

2.3.2 Based on current spending levels we still expect to save at least £100k during the year on the costs of diesel fuel for Service vehicles and travel allowance payments for staff.

## 2.4 **Supplies and Services (note 4)**

2.4.1 The budget adjustment includes the £104k previously highlighted for the provision of new fitness training equipment.

2.4.2 Where our Safe and Well visits are now more targeted at the most vulnerable groups, and taking more time to resource resulting in fewer visits overall, there is a consequential reduction in the number of smoke alarms being installed. A saving of £120k has been assumed for this year.

2.4.3 We expect to save £30k this year on our contract for printer, copier, scanners. This is as a result of a rationalisation of these devices across the new Service.

## 2.5 **Agency and Contracted-Out Services (note 5)**

2.5.1 A saving of £20k will be achieved against the budget for Private Finance Initiative (PFI) unitary charges as a result of year-end adjustments and over providing for the final charges for 2016-17.

## 2.6 **Democratic Representation (note 6)**

2.6.1 Member costs are expected to be £15k below the budgeted amount, mainly due to the change in Members following the local elections.

## 2.7 **Capital Financing and Leasing Costs (note 7)**

2.7.1 The budget includes £2.946m associated with capital finance and treasury management costs. Actual costs are projected to total £2.997m, with additional costs of £51k arising for the cost of long term borrowing. The 2017-18 capital programme currently indicates that no new long-term borrowing will be required to support the programme.

## 2.8 **Income**

2.8.1 Note 8: The budget includes an assumed £50k rental income relating the Poundbury site and £32k for service charges at Weymouth, payable by the Safewise charity. We are continuing to explore opportunities for rationalising our space requirements at Poundbury, with the intention of sub-letting any surplus space, but realistically £50k of rental income will not be achieved this year. Due to short-term changes to our arrangements for supporting Safewise we have agreed to waive the service charges for 2017-18.

- 2.8.2 Note 9: Income from investing surplus cashflows is currently projected to be £15k below the £80k included in the budget, reflecting continued low investment returns.
- 2.8.3 Note 10: The budget adjustment reflects the matching grant income referred to in Note 3 above. The forecast outturn includes £350k of additional one-off grant funding that we expect to receive through the Business Rates Retention Scheme and £194k 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 11)

- 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 £1.22m. 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 £8.844m at the end of March 2018, based on the projected underspend.
- 3.3 Moving forward, one of the key financial principles approved by Members at the Policy and Resources Committee on 19 October 2017 was the use of up to £6m of general balances to help fund the capital programme. This would significantly reduce capital financing costs in future years, but still leave sufficient revenue resources to deal with projected medium term budget shortfalls.
- 3.4 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. Further changes to the capital programme are now proposed, and these will

be considered by the Fire Authority on 5 December 2017. Based on these proposals the revised capital programme for 2017-18 totals £9.334m. Appendix B provides details.

<b>Capital budget summary</b>	<b>Original Budget £'000s</b>	<b>Carry Forwards £'000s</b>	<b>In Year Changes £'000s</b>	<b>Revised Budget £'000s</b>
Property/Estates IT and Communications	4,690	220	(3,574) 74	1,336
Vehicles	1,069	441		1,584
Operational Equipment & Other Equipment	5,176	1,905	(916)	6,165
	225	81	(57)	249
<b>TOTAL</b>	<b>11,160</b>	<b>2,647</b>	<b>(4,473)</b>	<b>9,334</b>

### 4.3 **Property/Estates**

4.3.1 Safety Centre – the project budget was increased from £3.355m to £4.623m by the Authority in September 2017, to allow for additional enhancements and associated other costs. Due to delays in commencing construction the profile of spending needs to be altered. At the present time a provisional sum of £240k has been allowed this year, with the balance of £4.383m carrying forward to 2018-19. £50k budgeted for ICT equipment has also been deferred. A full update report on the Safety Centre was considered by the Authority at its meeting on 5 December 2017. (note 1)

4.3.2 Anticipated spending on other property works has reduced from a previous budget amount of £1.555m to £1.096m. This is a reduction of £459k, however, £482k will need to be carried forward to 2018-19 to complete works expected to start in 2017-18. (note 2)

### 4.4 **IT and Communications**

4.4.1 **Breathing Apparatus (BA) Radios** - £90k was originally approved for the replacement of breathing apparatus radios. This project is on hold pending a review of requirements. (note 3)

4.4.2 **Mobile Data Terminal (MDT) Replacements** - £680k is allocated for the replacement of MDTs. The likely cost of replacement is now estimated at £710k. The Service is leading a national procurement project for the MDT hardware. (note 4)

4.4.3 **Incident Command** - £30k was allocated as a carry forward for updating incident command training facilities. A further £59k has now been added, advancing an investment requirement previously included in the 2018-19 capital programme. (note 5)

4.4.4 **Systems Harmonisation** - The revised programme includes £193k for the provision of new systems covering fleet management and the training resource management. (note 6)

#### 4.5 **Vehicles and Equipment**

4.5.1 **Aerial Ladder Platform (ALP)** (note 7) - 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 £1.394m, an increase of £32k.

4.5.2 The procurement process for a third new ALP concluded in October 2017, with a further contract award to Rosenbauer. The cost of this vehicle, including the option of a 42m ladder, is estimated at £768k.

4.5.3 **Other Operational Vehicles** (note 8) - £557k is has been deferred from the programme to 2018-19 pending the outcome of the Communities review, including a number of special vehicles; an incident support unit (£100k), an incident command unit (£100k), a technical rescue unit (£65k), three 4x4 rural rescue vehicles (£105k) and two small pumping appliances (£160k).

4.5.4 A net saving of £150k is projected for other vehicles, a combination of rationalising vehicle requirements and lower than expected purchase prices.

4.5.5 **Support Vehicles** (note 9) – A net saving of £216k is projected for support vehicles, again this is the result of rationalising vehicle requirements and lower purchase prices. There is also a carry forward requirement of £25k for the purchase of a replacement minibus.

4.5.6 **Equipment** (note 10) – A net saving of £57k is projected against the programme for replacement equipment, with the costs being deferred to 2018-19.

### 5. **Summary and Key Points**

5.1 The forecast underspend for this financial year is £1.22m. 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 Anticipated capital programme costs for the year have been reduced to a total of £9.334m, based on the revised capital programme to be approved by the Fire Authority on 5 December 2017. This reflects delays to the timing of a number of projects, particularly the Safety Centre, as well as savings made.