



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Item 18/9

MEETING	Finance, Governance & Audit Committee
DATE OF MEETING	8 March 2018
SUBJECT OF THE REPORT	3rd 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 3rd quarter of the 2017-18 financial year, reflecting spending to 31 December 2017.</p> <p>Overall the revenue and capital budget positions remain positive this year and will have no detrimental impact on the medium term finance plan.</p> <p>Section 2 of the report deals with the revenue budget and highlights a potential underspend of £1.225m, a very small increase on that shown in the 2nd quarter.</p> <p>Some additional budget adjustments are reflected in the revenue budget summary (Appendix A). In the main these cover one off project costs associated with the Network Fire Service Partnership (NFSP), Emergency Services Mobile Communications Project (ESMCP) and prevention education activity. Additional expenditure budget amounts are shown in the lines for “Supplies and Services” and “Capital Financing & Leasing”, with the corresponding funding shown in the lines for “Grants and Contributions” and “Contributions to/from reserves”.</p> <p>Section 3 provides an update on reserves and balances.</p>

	Section 4 provides an update on the capital programme, with a revised capital programme cost of £9.334m, and actual spend predicted at £6.526m.
RISK ASSESSMENT	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.
COMMUNITY IMPACT ASSESSMENT	None for the purposes of this report
BUDGET IMPLICATIONS	None for the purposes of this report
RECOMMENDATIONS	Members are asked to note and comment upon the current financial position.
BACKGROUND PAPERS	Medium Term Finance Plan 2017-20
APPENDICES	Appendix A – Revenue Budget Summary 2017-18 Appendix 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 December 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 £1.356m 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 include £435k 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 £232k continue to be assumed against the budget lines for training costs, seminars and conferences, occupational health and the costs of the apprenticeship levy.
- 2.2 Premises (note 2)
 - 2.2.1 The variance on premises costs reflects the £130k of additional spending on building maintenance works that was approved earlier in the year, offset by the £80k saving on business rates that has been achieved from further challenges to rateable values and consequential valuation refunds.
- 2.3 Transport (note 3)
 - 2.3.1 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 saving of £120k against the smoke alarms budget remains on course to be achieved, along with a £30k reduction in costs for printers, copiers and scanners.

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 now forecast to be £16k below the budgeted amount as a result of the change in Members following the 2017 local elections.

2.7 Capital Financing and Leasing Costs (note 7)

2.7.1 As previously highlighted capital financing and leasing costs are projected to be £51k more than allowed in the budget due to additional costs of long term borrowing. We will be using reserves and balances to finance the 2017-18 capital programme.

2.8 Income

2.8.1 Note 8: Actual income is forecast to be less than budgeted as the estimated £50k of rental income associated with sub-letting premises will not be achieved this year, and short-term changes to our arrangements for supporting Safewise mean that £32k of income in respect of service charges have been waived.

2.8.2 Note 9: Income from investing surplus cash flows is still projected to be £15k below the £80k included in the budget.

2.8.3 Note 10: The forecast outturn includes the previously highlighted £350k of additional grant funding for the Business Rates Retention Scheme and £194k for secondment income.

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 £1.225m. 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.

- 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. At the moment we plan to move £5m from General Balances to the Capital Reserve for this purpose, which would leave £6.349m of general balances available to support the Medium Term Financial Plan (MTFP).
- 3.4 Earmarked reserves stood at £12.536m as at 1 April 2017 (excluding grant monies held). As shown in Appendix A the current estimate is for a net decrease in earmarked reserves of £84k, but further changes are likely by the end of the financial year.

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.
- 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 were approved by the Fire and Rescue Authority on 5 December 2017, taking the revised capital programme for 2017-18 to £9.334m. The current estimate of actual spend is £6.526m. Appendix B provides details.

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

- 4.3 Property/Estates
- 4.3.1 Safety Centre – a provisional sum of £240k has been allowed this year, with £4.3m now included in future years (note 12).
- 4.3.2 The budget for other property works was reduced to £1.096m. The current forecast for spend is £686k, with £410k needing to be carried forward to 2018-19 to complete a number of general refurbishment projects at fire stations, as well as

Breathing Apparatus (BA) facility upgrades at Chippenham, Salisbury, Swindon and Westlea (note 13).

4.4 IT and Communications

4.4.1 Mobile Data Terminal (MDT) Replacements (note 14) – £710k is now allocated for the replacement of MDTs. The Service has been leading on a national procurement project for the MDT hardware in collaboration with six other fire and rescue services. The total estimated contract value is £2.27m. Crown Commercial Services have estimated that efficiency savings to the value of £805k have been achieved through the collaborative procurement process. The final value charged to this year's capital programme will depend on the delivery timescales for the hardware.

4.4.2 Incident Command Assessment Centre (note 15) – This project has commenced, with some initial hardware purchases made. Associated building works will be taking place at Salisbury Fire Station in the new financial year, with spending on the remaining information and communication technology (ICT) requirements happening along similar timescales.

4.4.3 Systems Harmonisation (note 16) – The revised programme includes £193k for the provision of new systems covering fleet management and training resource management. The fleet project is progressing well and the purchase of licences for the training resource system is complete.

4.5 Vehicles and Equipment

4.5.1 Aerial Ladder Platform (ALP) (note 17) – The programme includes a revised sum of £1.394m for the replacement of two ALPs. These vehicles were delivered to the Service in early January and are expected to be operational by May, once training and familiarisation is complete.

4.5.2 Large Fire Appliances (note 18) – The programme includes £1.35m for 5 vehicles ordered in 2016/17 and £2.156m for seven vehicles ordered in 2017/18. The final cost of the 2016/17 vehicles was £1.38m. Stage payments totalling £809k have so far been made in respect of the 2017/18 vehicles, but with final delivery expected in April or May, the full cost of these vehicles will be charged to 2018/19.

4.5.3 Other Operational Vehicles (note 19) - £597k is included in the revised programme for other operational vehicles. Vehicles with a total value of £185k will not be delivered until the new financial year and will require funding to be carried forward.

4.5.4 Support Vehicles (note 20) – The revised programme for support vehicles totals £668k. Vehicles with a value of £44k are not due for delivery until after the year end and will require funding to be carried forward.

5. Summary and Key Points

- 5.1 The forecast underspend for this financial year is £1.225m. 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 were reduced to a total of £9.334m following approval of the revised capital programme by the Fire and Rescue Authority on 5 December 2017. Forecast actual spending is now £6.526m, with £2.84m needing to be carried forward to 2018/19.

March 2018