



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Item 18/37

MEETING	Finance & Governance Committee
DATE OF MEETING	20 September 2018
SUBJECT OF THE REPORT	Financial Monitoring Report
STATUS OF REPORT	For open publication
PURPOSE OF REPORT	For Information
EXECUTIVE SUMMARY	<p>This report provides an analysis of the current financial position for the 2018-19 financial year, reflecting actual spending to 31 July 2018.</p> <p>Overall the revenue and capital budget positions are positive at this point in the year, although section 2.2 highlights an additional cost in relation to the West Moors Training Centre. Whilst this cost can be contained this year, within the highlighted potential revenue underspend of £0.499m, it will impact our budget plans for next year and the medium term finance plan (MTFP).</p> <p>The capital programme has been updated to include approved carry forwards from last year and the proposed purchase of land at Tisbury, taking this year’s revised capital programme to £13.253m.</p> <p>Ten new Large Fire Appliances (LFA) are being procured but are unlikely to be delivered in this financial year. The appliances to be replaced will remain in service until the new appliances have been delivered and are fully operational.</p>
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 Dorset & Wiltshire Fire and Rescue Authority (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	It is recommended that 1. Members note and comment upon the current financial position as at 31 July 2018.
BACKGROUND PAPERS	Medium Term Finance Plan 2018-21
APPENDICES	Appendix A – Revenue Budget Summary 2018-19 Appendix B – Summary of Reserves 2018-19 Appendix C – Capital Budget Summary 2018-19
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1. Introduction

- 1.1 This report provides an update of the revenue budget position for the 2018-19 financial year, covering the period to 31 July 2018. The net revenue budget was set in February 2018 at £54.526m.
- 1.2 Appendices A and C 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 Employees (note 1)
 - 2.1.1 The report shows an overall projected saving of £581k for Employee costs, representing 1.3% 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 reflect the estimated impact of a 2% pay award offer for operational staff, applying from July 2018, as well as the continued phased roll out of the new salary scheme for on-call staff. Budget adjustments have been made to reflect a number of externally funded secondments, as well as some corporate staff posts presently covered by uniformed staff.
 - 2.1.2 The projected saving takes account of £40k of additional costs in respect of one off ill-health retirement contributions that Dorset & Wiltshire Fire and Rescue Service (the Service) must make. The budget includes provision for £50k, but a minimum of £90k will be charged this year for pre 2018-19 retirements. There may be additional charges in respect of new ill-health retirements occurring in the year. Any variances are funded from the Ill-Health Retirement Reserve, which stood at £434k on 1 April 2018 (see Appendix B).
- 2.2 Premises (note 2)
 - 2.2.1 The projection for Premises costs includes a provisional sum of £300k covering charges from the Defence Infrastructure Organisation associated with the West Moors Training Centre facility. A strategic risk has been raised in respect of this issue and was reported to the Finance & Governance Committee in July. The provisional sum covers the period to 31 March 2019, with annual costs from 2019-20 likely to be higher. This additional financial burden will need to be included in the budget proposals for 2019-20. In light of this, the Service is currently carrying out a review of its longer term training facility requirements to ensure that they are sustainable and affordable

2.3 Capital Financing and Leasing Costs (note 3)

2.3.1 The budget includes £590k as provision for interest payments on long-term borrowing. £431k of this sum is committed to existing loans, with the balance of £159k available to support new borrowing. The treasury management strategy makes an assumption that £7m will be borrowed in October 2018, to maintain adequate cashflow and reduce our current level of under-borrowing, which stood at £13m as at 31 March 2018. We regularly review our cashflow forecasts to determine the necessity for, and timing of, any new borrowing.

2.4 Income

2.4.1 Note 4: Income from investing surplus cash flow is projected at £50k, £30k below the level included in the budget. Actual investment income for 2017-18 was £58k and, although interest rates have increased marginally, forecast cash flow levels are lower.

2.4.2 Note 5: The budget included £310k for grant funding related to the business rates retention scheme. Actual receipts are now expected to be £633k. The increase in grant funding is partially offset by a reduction in business rates receipts from our billing authorities. Our funding settlement from Government projected income of £4.878m, but actual receipts from billing authorities will only total £4.803m.

3. Reserves and Balances (note 6)

3.1 Appendix B shows the anticipated position regarding reserves and balances.

3.2 General balances stood at £6.686m as at 1 April 2018. The general reserves risk assessment remains at £2.5m, as reviewed in setting the 2018-19 budget, leaving £4.186m available to support the medium term finance plan. The current outturn estimate would add £499k to this figure. In June, the Dorset & Wiltshire Fire and Rescue Authority (the Authority) approved the use of general balances to finance the purchase of land at the Tisbury Fire Station site. This is now expected to cost £325k, as shown in the capital programme detail below, rather than the £400k provisional estimate. With both of these adjustments, available general balances would be £4.36m. A further £1m may be transferred to help fund the capital programme, in line with the current medium term finance plan principles, but the overall financial picture needs to be considered before making that decision.

3.3 Earmarked reserves (£11.607m) and grants (£4.005m) stood at £15.612m as at 1 April 2018. As shown in Appendix B the current estimate is for a net decrease in earmarked reserves of £4.411m and grants of £871k, but further changes are likely to occur during the remainder of the financial year.

4. Capital Programme

- 4.1 The original capital programme for 2018-19 totalled £9.632m. Projects totalling £3.296m were carried forward from 2017-18 and these were approved by the Finance and Governance Committee at the end of July. A further change to the capital programme needs to be made in respect of the purchase of land at Tisbury Fire Station, and this amounts to £325k. The revised capital programme for 2018-19 therefore stands at £13.253m at the current time. Appendix B provides details of current spending levels.

Capital budget summary	Original Budget £'000s	Carry Forwards £'000s	In Year Changes £'000s	Revised Budget £'000s
Property/Estates	1,695	543	325	2,563
IT & Communications	692	236	0	928
Vehicles	6,219	2,517	0	8,736
Operational & Other Equipment	1,026	0	0	1,026
TOTAL	9,632	3,296	325	13,253

4.2 Property/Estates

- 4.2.1 Safety Centre – a provisional sum of £250k has been allowed this year. The Authority will receive a Safety Centre update paper at their meeting on 28 September 2018 (note 7).
- 4.2.2 Other building projects – The revised total of £2.312m includes £325k in respect of the land at Tisbury Fire Station. There are a number of projects already in progress or completed at various sites. A tender process for general refurbishments at a number of sites in the north of the Service has recently commenced, with actual works scheduled to take place over the first few months of 2019 (note 8).

4.3 IT and Communications

- 4.3.1 Hardware Replacements (note 9) – The Information Communications Technology (ICT) team are progressing well with the various hardware replacement projects in the ICT Roadmap.
- 4.3.2 Systems Harmonisation (note 10) – The current programme includes £260k for the provision of a new equipment asset management system and this is currently in the procurement phase. A further £40k is included to complete the transition to a single fleet management system.

4.4 Vehicles and Equipment

- 4.4.1 Aerial Ladder Platform (ALP) (note 11) – The programme includes £768k for the purchase of a new 42m ALP. The first stage payment of £118k has been made and the vehicle is scheduled for delivery to the Service before the end of 2018.
- 4.4.2 Large Fire Appliances (note 12) – The programme includes £2.156m for seven vehicles ordered in 2017-18, and current spending is in line with this amount. £3.08m is included for the purchase of ten appliances to be ordered in 2018-19, and a further £202k for the purchase of previously leased vehicles. A procurement process for the ten new appliances is currently in progress, but it is unlikely that delivery of these vehicles will be achieved by the end of the financial year, and therefore an underspending of £3.08m is projected. Existing appliances due to be replaced will remain in place until the new appliances have been delivered. This will need to be carried forward to 2019-20 and the change will be reflected in the revised capital programme in December 2018.
- 4.4.3 Other Operational Vehicles (note 13) - £1.571m is included for other operational vehicles. The Communities team are currently reviewing the requirement for a number of specialist vehicles and given this, along with procurement timescales, it is unlikely that all of this funding will be spent in 2018-19, however no underspend is yet projected. Any changes will be reflected in the revised capital programme to be approved by the Authority in December 2018.
- 4.4.4 Support Vehicles (note 14) – The current programme for support vehicles totals £823k. This includes £100k for a new welfare support unit, the ongoing requirement for a separate vehicle of this type is being reviewed.
- 4.4.5 Operational Equipment (note 15) – The £1.026m shown for operational equipment includes £813k for the first phase of replacing operational fire kit. This project is progressing well, with a phased approach to ordering and supplying the new kit.

5. Summary and Key Points

- 5.1 The forecast outturn for this financial year shows a projected saving of £0.499m at the current time. This reflects savings on employee costs and additional grants and contributions income being received which is offset by the new charges in respect of West Moors.
- 5.2 The current capital programme budget for 2018-19 amounts to £13.253m, including carry forward requirements from last year. At present the procurement of new large fire appliances is being undertaken, but it is expected that due to delivery schedules, these will not be delivered until 2019-20, resulting in a projected underspending of £3.08m.

September 2018