



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Item 18/48

MEETING	Finance & Governance Committee
DATE OF MEETING	7 December 2018
SUBJECT OF THE REPORT	Financial Monitoring Report – 31 October 2018
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 October 2018.</p> <p>Overall the revenue and capital budget positions remain positive, although the forecast revenue underspend has reduced to £200k, mainly due to additional operational staffing costs incurred over the summer months.</p> <p>Adjustments to reserves and balances have been made to reflect Finance Principle 10 approved by the Dorset & Wiltshire Fire and Rescue Authority (the Authority) in September, transferring excess general balances to the Transformation Improvement Reserve. There is an additional adjustment for the approved funding for purchasing land at Tisbury Fire Station.</p> <p>The capital programme has been updated to reflect current progress on projects, proposed programme changes and savings made during the year. A revised capital programme totalling £8.306m will be presented to the Authority on 13 December 2018.</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 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	<p>It is recommended that</p> <ol style="list-style-type: none"> 1. Members note and comment upon the current financial position as at 31 October 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 October 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 £262k for employee costs, representing 0.6% 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 costs and projections reflect the 2% pay award agreed for operational staff, applying from July 2018. 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. The overall saving has reduced from the 1st Quarter report, reflecting the impact of increased operational activity due to the hot weather conditions during the summer, as well as the major incidents in Amesbury and Salisbury.
- 2.1.2 The projected spend takes account of £116k for additional one off pension costs in respect of ill-health retirements and costs of £342k associated with voluntary redundancies and early retirements for staff leaving the Service during 2018-19. Both elements of additional cost will be funded from reserves.

2.2 Premises (note 2)

- 2.2.1 The projection for Premises costs includes £300k covering charges from the Defence Infrastructure Organisation associated with the West Moors Training Centre facility. There is an agreed rental charge of £25k per month up to 31 March 2019.

2.3 Agency and Contracted Services (note 3)

- 2.3.1 The saving shown here is an estimated £20k saving against the costs of physiotherapy services.

2.4 Capital Financing and Leasing Costs (note 4)

- 2.4.1 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 made an assumption that £7m would 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. This borrowing has not yet been required, and the overall position is currently under review.
- 2.4.2 The budget adjustment of £4.115m reflects the purchase cost for the land at Tisbury Fire Station, funded from general balances, and the use of capital reserves to part fund the capital programme.

2.5 Income

- 2.5.1 Note 5: Income from investing surplus cash flows 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.
- 2.5.2 Note 6: 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.
- 2.5.3 Planning gain income from Swindon Borough Council is also included in Grants & Contributions. This totals £137k and this sum will be moved to reserves for use in future years.

3. Reserves and Balances (note 7)

- 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 and the current outturn estimate would add £200k to this figure. In June, the Authority approved the use of £325k from general balances to finance the purchase of land at the Tisbury Fire Station site. With these adjustments overall general balances would be £6.561m. In line with Finance Principle 10 approved by the Authority in September 2018, general balances will now be maintained at 5% of revenue budget, or £2.5m, whichever is the greater, with any excess being transferred to the Transformation Improvement Reserve. Currently this requires general balances to be maintained at £2.726m, and the excess £3.835m transferring. This is reflected in Appendix B.
- 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 £498k and grants of £393k, 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 & Governance Committee at the end of July. A further £325k has been added during the year in respect of the purchase of land at Tisbury Fire Station, making the revised capital programme total for 2018-19 £13.253m. Further changes to the capital programme are now proposed, to take account of project progress in year, as well as savings delivered, and these will be reported to the Authority on 13 December 2018. Based on these proposals the revised capital programme for 2018-19 will total £8.306m. 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	(108)	2,130
ICT & Communications	692	236	(17)	911
Vehicles	6,219	2,517	(4,497)	4,239
Operational & Other Equipment	1,026	0	0	1,026
TOTAL	9,632	3,296	(4,622)	8,306

4.2 Property/Estates

- 4.2.1 Skills for Life Centre (note 8) – a provisional sum of £250k has been allowed this year. The Authority will receive a further update at their meeting on 13 December 2018.

- 4.2.2 Other building projects (note 9) – The revised total will be £1.88m and takes account of; £325k additional spend in respect of the land at Tisbury Fire Station, an estimated £180k for projects starting in 2018-19, but completing in 2019-20 and £253k for identified reductions.

4.3 IT and Communications

- 4.3.1 Hardware Replacements (note 10) – The revised budget is £480k, a net reduction of £17k. This includes £72k for projects deferred to 2019-20, £20k of identified savings and £75k of additional costs, covering £40k for the wide-area network (WAN) and £35k for training centre presentation equipment. A provisional sum of £60k was originally included for one off costs to replace the Service WAN and, although this cost is expected to increase, the total cost of the new contract will be much lower than the current cost.

4.3.2 Systems Harmonisation (note 11) – 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 12) – 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 13) – The revised programme shows a reduction of £3.08m in respect of ten new appliances which will now be delivered in 2019-20. Additionally, savings of £40k are projected based on final spend for seven new appliances already delivered this year, and a saving made against the purchase of four ex-lease appliances.

4.4.3 Other Operational Vehicles (note 14) - £1.571m was included for other operational vehicles. The Communities Team have been reviewing the requirement for a number of specialist vehicles, and given this, along with procurement timescales, a £1.165m reduction to the programme is proposed. In addition, savings of £92k have been delivered against vehicles already purchased this year.

4.4.4 Support Vehicles (note 15) – The revised programme for support vehicles shows a reduction of £120k. This includes £100k for a new welfare support unit that has been deferred and a saving of £20k already made on the replacement of station support vehicles.

4.4.5 Operational Equipment (note 16) – 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 reduced saving of £200k. The change from Quarter 1 is mainly as a result of increased operational activity over the summer months.

5.2 The revised capital programme budget for 2018-19 currently amounts to £13.253m, but taking account of current project progress, proposed programme changes and savings achieved, a reduction to £8.306m will be reported to the Authority.

December 2018