



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Item 19/34

MEETING	Finance & Governance Committee
DATE OF MEETING	19 September 2019
SUBJECT OF THE REPORT	Financial Monitoring Report Quarter 1
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 2019-20 financial year, reflecting actual spending to 30 June 2019.</p> <p>The revenue and capital budgets both show positive positions. Employee costs are projected to be 0.8% below budget at this stage and overall grant funding is better than expected. An overall revenue underspend of £634k is currently projected, although clearly it is quite early in the year.</p> <p>The capital programme has been updated to include approved carry forwards from last year, and following changes to the property and vehicle programmes, will show a much reduced anticipated spend for the year.</p>
RISK ASSESSMENT	<p>Financial sustainability remains a key focus as a strategic risk, and as such the continued monitoring of the financial position is a critically important factor in financial planning and decision making for the Authority.</p>
COMMUNITY IMPACT ASSESSMENT	None for the purposes of this report

BUDGET IMPLICATIONS	None for the purposes of this report
RECOMMENDATIONS	It is recommended that Members: <ol style="list-style-type: none">1. Note and comment upon the current financial position as at 30 June 2019.
BACKGROUND PAPERS	Medium Term Finance Plan 2019-20 to 2022-23
APPENDICES	Appendix A - Revenue Budget Summary 2019-20 Appendix B - Summary of Reserves 2019-20 Appendix C - Capital Budget Summary 2019-20
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1. Introduction

- 1.1 This report provides an update of the revenue budget position for the 2019-20 financial year, covering the period to 30 June 2019. The net revenue budget was set in February 2019 at £55.845m.
- 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 £369k for Employee costs, representing 0.8% of the budget amount. This is based on actual and projected costs and reflects staffing vacancies in the corporate and on-call staff groups in particular. The forward projections include the impact of a 2% pay award offer for operational staff, applying from July 2019. 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 We expect there to be additional costs in respect of one-off ill-health retirement contributions that the Service must make. The budget includes provision for £100k, but a minimum of £200k is likely to be required for 2019-20. Any variances will be funded from the Ill-Health Retirement Reserve, which stood at £402k on 1 April (see Appendix B).
- 2.2 Premises (note 2)
 - 2.2.1 The budget for Premises costs includes a provisional sum of £300k covering charges from the Defence Infrastructure Organisation (DIO) associated with the West Moors Training Centre facility. Following detailed negotiations with DIO, we have concluded an agreement with expected annual charges at £250k.
- 2.3 Capital Financing and Leasing Costs (note 3)
 - 2.3.1 The budget includes £2.2m in respect of charges to finance long-term borrowing. Due to the lower capital spending in 2018-19, as well as our current borrowing profile, it is expected that savings will be made against this sum. We have recently undertaken new borrowing totalling £4.4m, to reduce our level of under-borrowing and take advantage of favourable interest rates. I would recommend that any in-year savings, currently estimated at a minimum of £150k, are used to make additional revenue contributions this year and reduce future borrowing costs.

There will be ongoing savings that will be built into the next medium-term finance plan.

2.4 Income

2.4.1 Note 4: The budget includes expected income of £50k from renting surplus accommodation at the Poundbury site. It was expected that Dorset Police would occupy this accommodation, but following a full review of their own estate, they have concluded that they will not move forward with the Poundbury site. We are now exploring other potential rental opportunities.

2.4.2 Note 5: Various adjustments to anticipated levels of grant income are required:

- Levy Account Surplus - £158k budgeted, but actually received in 2018-19.
- Business Rates Retention Scheme reliefs - £633k budgeted, based on last year, but estimated receipts this year now £900k.
- Business Rates share from our billing authorities - £4.996m projected in our funding settlement from Government, but actual receipts from billing authorities will only total £4.735m.
- Pension Grant - £2.286m budgeted, but £2.703m received. The additional funding reflects our share of the additional £18m allocated by Government following publication of the actual employer contribution rates.

3. Reserves and Balances (note 6)

3.1 Appendix B shows the details of reserves and balances.

3.2 General balances stood at £2.726m as at 1 April 2019, representing 5% of the 2018-19 net revenue budget. This is planned to increase to £2.792m for 2019-20.

3.3 Earmarked reserves (£12.61m) and grants (£2.521m) stood at £15.131m as at 1 April 2019. Appendix B shows the planned use of reserves and reflects on overall reduction of £470k, excluding the current projected underspend. There will undoubtedly be changes required during the year, for instance the additional pensions charges referred to in paragraph 2.1.2 above, and these will be reflected from quarter 2 onwards.

4. Capital Programme

4.1 The original capital programme for 2019-20 totalled £8.404m. Projects totalling £1.896m were carried forward from 2018-19 and these were approved by the Finance & Governance Committee in July. The revised capital programme for 2019-20 therefore currently stands at £10.3m.

4.2 Appendix B shows current and projected spending levels, and sections 4.3 to 4.5 provide more detail. The outturn projection has been significantly revised downwards, particularly in respect of vehicles, and this is further explained below.

Capital budget summary	Original Budget £'000s	Carry Forwards £'000s	Revised Budget £'000s
Property/Estates	1,329	866	2,195
IT & Communications	549	470	1,019
Vehicles	5,608	281	5,889
Operational & Other Equipment	918	279	1,197
TOTAL	8,404	1,896	10,300

4.3 Property/Estates

4.3.1 Building projects (note 7) – the overall programme for building works has been reviewed, with some projects moving between years for better alignment of scheduled works. The overall impact for 2019-20 is an expected reduction in cost of £81,000.

4.4 IT and Communications (note 8)

4.4.1 Systems Harmonisation – The carry forward amount of £260k is for the new equipment asset management system. The project is progressing well and heading for delivery in April 2020.

4.4.2 Network Fire Services Partnership (NFSP) – £110k of the £267k included in the programme was spent towards the end of 2018-19.

4.5 Vehicles and Equipment (note 9)

Vehicles - The Service has taken the opportunity to review the vehicle replacement programme, to enable more effective procurement and project management. Nineteen fire appliances have recently been ordered and whilst we will be making stage payments during this year, the full cost of the vehicles will ultimately be charged in 2020-21, when delivery takes place. Deliveries are expected to

commence from June 2020 and conclude in March 2021. Along with other changes to the vehicle programme, the overall impact for 2019-20 is an expected reduction in cost of £4.88m.

- 4.5.1 Operational & Other Equipment – The £1.197m shown for operational and other equipment includes £1.033m to complete the replacement of operational fire kit across the Service. This project has progressed well over the last 12 months or so, with a phased approach to ordering and supplying the new kit. The project is scheduled to be completed later this year.

5. Summary and Key Points

- 5.1 The forecast outturn for this financial year shows a projected saving of £0.634m at the current time. This mainly reflects savings on employee costs and additional grants and contributions income being received.
- 5.2 The current capital programme budget for 2019-20 amounts to £10.3m, including carry forward requirements from last year. Having re-profiled the estates and vehicle programmes, particularly reflecting the procurement timescales for large fire appliances, the projected spending for the year is now £5.23m.

September 2019