



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Item 20/25

MEETING	Finance & Audit Committee
DATE OF MEETING	17 September 2020
SUBJECT OF THE REPORT	Financial Monitoring Report - Quarter 1 2020-21
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 2020-21 financial year, reflecting actual spending to 30 June 2020.</p> <p>The revenue and capital budgets show positive variances at the current time, largely as a result of the impact of the coronavirus pandemic, which has inevitably caused a short-term slowdown in some areas, such as recruitment, prevention and training. Employee costs are currently projected to be 2% below budget, a number of one-off non-pay savings are also forecast, and overall income is better than expected, particularly with the one-off additional funding for coronavirus response.</p> <p>Overall, the revenue forecast shows a current net positive variance of £2.685m. Whilst this is a favourable short-term position, we are planning for a significant adverse financial impact of the coronavirus pandemic, particularly for the 2021-22 financial year.</p> <p>A revised Capital Programme total of £7.357m is shown in Section 4, reflecting carry forwards from last year, and significant reductions in the property and vehicle programmes as a result of the coronavirus pandemic.</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
RECOMMENDATION	Members are asked to: <ol style="list-style-type: none"> 1. note and comment upon the current financial position as at 30 June 2020.
BACKGROUND PAPERS	Medium Term Finance Plan 2020-21 to 2023-24
APPENDICES	Appendix A – Revenue Budget Summary 2020-21 Appendix B – Summary of Reserves 2020-21 Appendix C – Capital Budget Summary 2020-21
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1. Introduction

- 1.1 This report provides an update of the revenue budget position for the 2020-21 financial year, covering the period to 30 June 2020. The net revenue budget was set in February 2020 at £56.884m.
- 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 £976k for Employee costs, representing 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 the impact of a 2% pay award offer for operational staff (applying from July 2020) and a 2.75% pay award offer for corporate staff (applying from April 2020). Neither of these pay awards have been confirmed yet.
- 2.1.2 Significant additional staff costs have been incurred as a result of the Wareham Forest fire. The overall cost of the incident is estimated at £530k, including £476k of staff costs, primarily for on-call staff resources. We are in conversation with the Ministry of Housing, Communities and Local Government (MHCLG) and the Home Office in an attempt to recover these costs.
- 2.1.3 Savings of £53k on non-pay employee costs are currently included and further work is required to accurately forecast the impact of the coronavirus pandemic on training activity and costs. This will highlight additional savings, some of which will need to be retained within Training to fund catch-up training activity, and some of which will provide additional one-off corporate savings.
- 2.1.4 The Service will have to make some additional one-off ill-health retirement contributions this year. The base budget includes provision for £50k, but a minimum of £238k is likely to be required for 2020-21. Any variances will be funded from the Ill-Health Retirement Reserve, which has been increased to £499k at the end of 2019-20, in anticipation of these additional costs.

2.2 Transport (note 2)

- 2.2.1 We are currently forecasting savings of £133k on fuel and other travel costs as a result of home working and the reduction in staff movements related to the coronavirus pandemic.

2.3 Supplies and Services (note 3)

- 2.3.1 We are currently forecasting net savings of £220k against supplies and services budget lines. Half of this saving comes from an expected reduction in smoke alarm procurement due to the impact of the coronavirus pandemic on prevention activity. Further savings will be achieved in areas such as scrap cars for Road Traffic Collision training, hotel accommodation for external events and catering for training events.

2.4 Capital Financing and Leasing Costs (note 4)

- 2.4.1 The budget includes £2.4m in respect of charges to finance long-term borrowing. Due to the lower capital spending in 2019-20, as well as our current borrowing profile, it is expected that savings will be made against this sum. Savings are currently estimated at a minimum of £183k, but further savings are likely to accrue as we firm up the changes to the Capital Programme and review our borrowing needs.

2.5 Income (note 5)

- 2.5.1 General income and investment returns have clearly been adversely impacted by the coronavirus pandemic. The anticipated reduction in general income reflects a reduction in areas such as premises, co-responder, and the Primary Authority Scheme. Whilst our cash position remains healthy, the rates of return available on short-term investments are very marginal.

- 2.5.2 Various adjustments to anticipated levels of grants and contributions are required (note 6):

- Business Rates Retention Scheme reliefs - £900k budgeted, based on last year, but estimated receipts this year now £1,027k
- Firelink Grant - £546k budgeted, based on last year, but actual receipts are £586k
- Covid-19 Grant - £1.12m received from second tranche of Government funding. We have received a total of £1.3m across the two funding tranches and forecast costs to 31 March 2021 are currently £0.8m. Any grant unspent at year end will need to be carried forward in reserves for future use. The grant has been provided as un-ringfenced funding, which would not ordinarily require repayment.

- Protection Grants – we are expecting three separate streams of one-off protection funding totalling £428k; £89k to support delivery of the recommendations from the Grenfell Tower Inquiry Phase 1 report, £110k to support the high-rise residential building risk review, and £229k to support initial improvements to local protection capability. These funds have not yet been received, so are not included in the current forecast
- Prevention funding – the budget assumes a level of income to support prevention activity, such as Salamander and Fire Cadets. Clearly this type of activity has been on hold in the early part of the year, and this report assumes a £70k reduction in external funding contributions.

3. Reserves and Balances (note 7)

- 3.1 Appendix B shows the details of reserves and balances.
- 3.2 General balances stood at £2.792m as at 1 April 2020, representing 5% of the 2019-20 net revenue budget. This is planned to increase to £2.814m for 2020-21.
- 3.3 Earmarked reserves (£12.876m) and grants (£2.021m) stood at £14.897m as at 1 April 2020. Appendix B shows the planned use of reserves and reflects an overall reduction of £825k, excluding the current projected underspend. There will undoubtedly be changes required during the year, for instance, picking up the impact of the coronavirus grant and funding the additional pensions charges referred to in paragraph 2.1.4 above. We will begin picking this up in the 2nd Quarter report.

4. Capital Programme

- 4.1 The original Capital Programme for 2020-21 totalled £10.4m. Projects totalling just over £1m have been carried forward from 2019-20, but further significant changes are required to reflect the impact of the coronavirus pandemic. The revised Capital Programme for 2020-21 therefore currently stands at £7.357m.
- 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 respects of vehicles, and this is further explained below.

Capital budget summary	Original Budget £'000s	Carry Forwards £'000s	In-Year Changes £'000s	Revised Budget £'000s
Property/Estates	2,087	604	(1,632)	1,059
IT & Communications	1,172	155	(63)	1,264
Vehicles	5,495	190	(2,390)	3,295
Operational & Other Equipment	1,639	100	0	1,739
TOTAL	10,393	1,049	(4,085)	7,357

4.3 Property/Estates

4.3.1 Building projects (note 8)

the programme of building works has been significantly impacted by the coronavirus pandemic. The budget changes reflect an intent to complete the delayed 2019-20 works schedule, but anything new originally planned for 2020-21 has been deferred.

4.4 IT and Communications (note 9)

4.4.1 Hardware Replacements – The original budget amount includes £450k for replacing fireground radios. We are currently estimating on overall cost of £441k for this project, spending £378k in 2020-21 and £63k in 2021-22.

4.4.2 Systems Harmonisation – this item is for the new equipment asset management system. The new system has been procured and is in the early stages of testing within the Service.

4.5 Vehicles and Equipment (note 10)

4.5.1 Vehicles – Like the property programme, the vehicle replacement programme has also been significantly impacted by the coronavirus pandemic. We have nineteen fire appliances on order from Angloco Ltd, with deliveries originally expected to commence from June 2020 and conclude in March 2021. These timescales have had to be further extended now and we are hoping to take delivery of the first ten vehicles this financial year, with the remainder being delivered in the 2021-22 financial year. A number of other vehicle replacements have been put on hold as we review the overall replacement programme. The overall impact for 2020-21 shows a revised cost of £3.295m.

4.5.2 Operational & Other Equipment – The £1.639m original budget shown for operational and other equipment includes £1.4m in respect of equipment for the nineteen new fire appliances that are on order. £100k has been carried forward as a provision against any final purchase needs for the replacement PPE project.

5. Summary and key points

- 5.1 The revenue budget shows a forecast outturn saving of £2.685m at the current time. This mainly reflects the short-term effect of savings and net additional income related to the coronavirus pandemic. Whilst this is a helpful short-term position, we are very mindful that the outlook for 2021-22 and the medium-term is very uncertain and we are planning for a significant adverse financial impact.
- 5.2 The overall Capital Programme budget for 2020-21 has reduced to £7.357m at the current time, including carry forward requirements from last year, and significant changes to the current estates and vehicle programmes as a result of the coronavirus pandemic.

September 2020