



**DORSET & WILTSHIRE  
FIRE AND RESCUE  
AUTHORITY**

Item 21/09

MEETING	Finance & Audit Committee
DATE OF MEETING	3 March 2021
SUBJECT OF THE REPORT	Financial Monitoring report – Quarter 3 2020-21
STATUS OF REPORT	For open publication
PURPOSE OF REPORT	To note and comment
EXECUTIVE SUMMARY	<p>This report provides an analysis of the current financial position for the 2020-21 financial year, reflecting actual spending to 31 December 2020.</p> <p>The revenue and capital budgets positions remain positive, reflecting the short-term impact that the pandemic has on our ability to spend as planned in 2020-21. Employee costs are still projected to be just over 2% below budget, there are number of one-off non-pay savings forecast, some of which have increased further since quarters 1 and 2, and overall income remains better than expected, particularly where additional one-off funding has been received to help with the response to the pandemic and the increased protection resourcing post-Grenfell.</p> <p>Overall, the revenue forecast shows a current net positive variance of £1.9m, marginally higher than quarter 2. The projected balance on reserves at the end of the financial year is broadly the same as quarter 2.</p> <p>A revised capital programme total of £7.357m was set in December, reflecting carry forwards from last year, and significant reductions in the property and vehicle programmes as a result of the coronavirus pandemic. The current forecast for spend has been reduced further as we continue to see delays to vehicle delivery schedules and</p>

	our ability to complete estates projects. Some additional savings have also been achieved.
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. There are no significant strategic issues arising from this report aside from the delays incurred due to the on-going pandemic that are adversely affecting incomes, supply chains and contractors.
COMMUNITY IMPACT ASSESSMENT	None for the purposes of this report
BUDGET IMPLICATIONS	None for the purposes of this report
RECOMMENDATIONS	Members are asked to: 1. Note and comment upon the current financial position as at 31 December 2021.
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 31 December 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 £1.11m for employee costs now, a small decrease on quarter 2, and representing 2.2% 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.
  - 2.1.2 As previously reported, 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 £246k (£238k in quarter 2) is now required for 2020-21. A budget adjustment has been included to reflect the increased spend, supported by a contribution from the Ill-Health Retirement Reserve.
- 2.2 Transport (note 2)
  - 2.2.1 Forecast savings on fuel and other travel costs as a result of home working and the reduction in staff movements related to the Coronavirus pandemic have been increased further, from £207k in quarter 1 to £254k this quarter. This may well increase further as BP have reintroduced their “free fuel” promotion for emergency services.
- 2.3 Supplies and services (note 3)
  - 2.3.1 Forecast savings against this area have also increased slightly again, up from £307k in quarter 2 to £339k now. The savings are in areas such as smoke alarms procurement, scrap cars for road traffic collision training, hotel accommodation for external events, catering and subsistence costs.

## 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 of £203k are currently included in the outturn forecast, but further savings are likely to accrue. It would be sensible to allocate any additional savings to the capital financing reserve in line with the new reserves strategy.

## 2.5 Income (notes 5 and 6)

- 2.5.1 General income and investment returns have been adversely impacted by the coronavirus pandemic, and although rates of return on short-term investments remain very marginal, overall general income has improved slightly on quarter 2.
- 2.5.2 The significant amount shown for budget adjustments against grants reflects additional grants and contributions that have been received, including £1.12m of Covid-19 grant funding and £428k of Protection grants.

## 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 expected change in these reserves and currently shows an overall increase of £444k, not including the £1.9m underspend forecast.
- 3.4 The forecast year-end balance on earmarked reserves and grants is now £17.258m, including the current £1.916m underspend forecast. The comparative figure from quarter 2 was £17.247m.
- 3.5 The level of reserves makes no assumption about additional funding from the Home Office related to our claim for the Wareham Forest major incident. Our claim amount is £570k, although we expect that the first £115k will have to be paid by the Service, similar to a claim under Bellwin principles. We have raised this outstanding claim with Government officials and the Minister.

## 4. Capital programme

- 4.1 The original capital programme for 2020-21 totalled £10.4m. With £1m for projects carried forward from 2019-20 and further changes to the programme made in

quarter 1, resulting from the impact of the coronavirus pandemic, the revised capital programme for 2020-21 was set at £7.357m.

- 4.2 Appendix C shows the current forecast spending level at £4.95m, reflecting the continued impact of the pandemic, particularly vehicle delivery timescales and the ability of contractors to complete the estates programme, plus some additional savings that have been achieved. The notes below provide more detail.
- 4.3 Estates (note 8)
  - 4.3.1 There are a number of projects where completion is likely to be delayed beyond the end of this financial year. A provisional estimate of £290,000 has been allowed for in the current forecast.
- 4.4 IT and communications (note 9)
  - 4.4.1 Hardware replacements – as previously reported, the variance reflects savings made against the cost of replacing our fireground radios as well as the impact of projects being realigned across this year and next. The variance has increased by £155k since Quarter 2 which includes £100k related to the replacement of the mobilising infrastructure equipment on fire stations. We only expect part of this equipment to now be delivered before the end of March.
  - 4.4.2 Systems harmonisation – this item is for the new equipment asset management system. System, hardware and project support costs this year are expected to be £200k, compared to the £255k currently available.
- 4.5 Vehicles and equipment (note 10)
  - 4.5.1 Vehicles - The vehicle replacement programme has been significantly impacted by the coronavirus pandemic. As previously reported, we had anticipated that there may be further delays to vehicle delivery timescales as we see the pandemic continuing to impact over the winter period. The current forecast is that only 6 of the 19 fire appliances on order will be received in Service by 31 March 2021, with the remaining 13 arriving over the remainder of 2021, into 2022. A number of other vehicles currently in build are also subject to delivery delays.
  - 4.5.2 Operational & other equipment – the total spending commitment for this year is currently estimated at £1.25m. The variance shown reflects a saving of £221k on the purchase of new hydraulic rescue equipment for the 19 new fire appliances, as well as other savings made where our replacement plans have changed.

## **5. Summary and key points**

- 5.1 The revenue budget shows a forecast outturn saving of £1.9m at the current time. This mainly reflects the short-term effect of savings and financial support related to the coronavirus pandemic, along with the one-off protection grants. Whilst this is a helpful short-term position, we remain very concerned about the outlook for 2021-22.
- 5.1.1 The overall capital programme budget for 2020-21 was reduced to £7.357m in December. The current forecast reflects further spending delays against the revised programme plus some additional savings, but the position is still very much subject to change given the continuing impact of the Covid-19 pandemic.

March 2021