



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Item 21/51

MEETING	Finance & Audit Committee
DATE OF MEETING	8 December 2021
SUBJECT OF THE REPORT	Financial Monitoring Report - Quarter 2 2021-22
STATUS OF REPORT	For open publication
PURPOSE OF REPORT	To note and comment upon
EXECUTIVE SUMMARY	<p>This report provides an analysis of the current financial position for the 2021-22 financial year, reflecting actual spending to 30 September 2021.</p> <p>The revenue budget shows a positive variance of £932k at the current time, mainly due to the benefit of some one-off items. This includes additional funding that supports some already budgeted pay costs, the impact of business rates refunds and some remaining effects from the Covid pandemic. There are some capital financing savings that will be used to part fund this year's capital programme and reduce future borrowing requirements.</p> <p>A revised Capital Programme total of £12.2m is shown in Section 4, reflecting carry forwards from last year, and some further in-year changes. The current spending forecast is £11.55m.</p>
RISK ASSESSMENT	<p>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.</p>

COMMUNITY IMPACT ASSESSMENT	None for the purposes of this report
BUDGET IMPLICATIONS	None for the purposes of this report
RECOMMENDATION	Members are asked to: 1. note and comment upon the current financial position as at 30 September 2021.
BACKGROUND PAPERS	Medium Term Finance Plan 2021-22 to 2024-25
APPENDICES	Appendix A – Revenue Monitoring Statement 2021-22 Appendix B – Reserves and Unused Grants Statement 2021-22 Appendix C – Capital Monitoring Statement 2021-22
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1. Introduction

- 1.1 This report provides an update of the revenue budget position for the 2021-22 financial year, covering the period to 30 September 2021. The net revenue budget was set in February 2021 at £57.031m.
- 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 £255k for Employee costs, representing 0.5% 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. A 1.5% pay award has been applied for operational staff from July 2021 and the projections include an assumed 1.75% pay award for corporate staff (applying from April 2021, but not yet agreed). The combined additional cost of both awards is estimated at £217k for this year. The costs and projections also reflect the support provided to South West Ambulance Service (SWAST) (see 2.4.1).
 - 2.1.2 The Service will have to make some additional one-off ill-health retirement contributions this year. The original budget amount was £159k, but a minimum of £171k is required for 2021-22, based on known retirements. Any variances are funded from the Ill-Health Retirement Reserve.
 - 2.1.3 Members will also be aware of the issues surrounding pensions remedy and immediate detriment. On 15 December 2021 the Authority will consider a report on implementing the Immediate Detriment Framework that has been agreed nationally through the Local Government Association (LGA) and Fire Brigades Union (FBU). The Service will incur some additional costs in implementing the Framework as not all of the costs can be charged to the pension fund account. A number of compensation payments, related to amounts for tax relief, pensions or lump sums and member contributions, will be regarded as employer payments and will have to be charged to the revenue budget. There is ongoing discussion at a national level to seek further clarity on these matters and the potential for central funding.
- 2.2 Other non-pay related costs (note 2)

- 2.2.1 The Estates Team have been reviewing business rates valuations and we are now receiving some refunds from our local billings authorities. This report estimates that the total net refunds will be £250k and we expect to see a reduction in ongoing costs.
- 2.2.2 Current forecasting indicates reduced expenditure of around £65k against 'Supplies and Services' expenditure. These arise largely as a result of the one-off effects of the Covid-19 pandemic.
- 2.3 Capital Financing and Leasing Costs (note 3)
- 2.3.1 The budget includes £2.4m in respect of charges to finance long-term borrowing. Due to the lower capital spending in 2020-21 savings can be made against this sum. This will be a minimum of £248k, but likely slightly higher. We have recently undertaken £5m of new borrowing for capital financing purposes and to support our cash position. There will be some additional capital financing costs arising from that, but this is provided for in the revenue budget.
- 2.3.2 In 2019-20 we made provision for £83k of unrecoverable VAT related to the purchase of officer response vehicles. Following a long period of discussion, HMRC have now agreed that we are able to recover this VAT. The provision can be credited back to the revenue budget this year.
- 2.3.3 Given the overall financial picture for this year, rather than taking these savings to reserves, they would be better retained within the capital financing budget and used to part finance the capital programme and reduce future borrowing costs.
- 2.4 Income (note 4)
- 2.4.1 General income and investment returns continue to be impacted by the Covid-19 pandemic. The additional budget for general income covers receipts from SWAST for driver support provided to them and £26k of other additional income has been received. On investment returns, whilst our cash position remains sound, the rates of return available on short-term investments are very marginal. The reduction in investment returns is, however, offset by the more significant reduction in borrowing costs that we are seeing.
- 2.4.2 Various adjustments to anticipated levels of grants and contributions are required (note 5):
- Firelink Grant - £586k budgeted, based on last year, but the Home Office have recently advised that they made an error in calculating last year's grant and will be recovering the overpayment in 2021-22. The error means that the previously expected grant of £598k for 2021-22 is overstated. Actual receipts will now only be £501k.

- LRF Funding Pilot - £171k has been allocated to the Dorset Civil Contingencies Unit from a funding pool of £7.5 million being made available to Local Resilience Forums (LRFs) to fund “new activity in support of the wider Integrated Review and National Resilience Strategy”. The additional funding was announced by Lord Greenhalgh, Minister of State for Building Safety, Fire and Communities.
- Protection Funding Grant – a further £316k has been allocated to us to 2021-22 financial year, on top of total funding of £428k provided in 2020-21. We have agreed a spend profile with the Home Office to utilise all of this funding by the end of the financial year.
- Prevention funding – additional income of £41k in respect of partner contributions for a Strategic Road Safety project in Wiltshire.
- Secondments - £103k for staff on secondments to other bodies. This has increased from £74k shown in the Quarter 1 report due to the extension of one secondment.

3. Reserves and Balances (note 6)

- 3.1 Appendix B shows the details of reserves and balances.
- 3.2 General balances stood at £2.844m as at 1 April 2021, representing 5% of the 2020-21 net revenue budget. This is planned to increase to £2.884m for 2021-22.
- 3.3 Earmarked reserves (£14.6m) and grants (£6.8m) stood at £21.4m as at 1 April 2021. Appendix B shows the planned use of reserves and currently reflects an overall reduction of £328k. A further £2.5m will be released relating to the compensation grant that the Service received in respect of extended business rates reliefs provided in 2020-21. There will undoubtedly be other changes required before the year end.

4. Capital Programme

- 4.1 The original Capital Programme for 2021-22 totalled £9.1m. Projects totalling just over £3.2m have been carried forward from 2020-21 and other in year changes result in a revised Capital Programme for 2021-22 of £12.2m.
- 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 revised downwards and this is further explained below.

Capital budget summary	Original Budget £'000s	Carry Forwards £'000s	In-Year Changes £'000s	Revised Budget £'000s
Property/Estates	1,136	536	52	1,724
IT & Communications	1,024	280	98	1,402
Vehicles	6,383	1,603	(709)	7,277
Operational & Other Equipment	525	792	490	1,807
TOTAL	9,068	3,211	(69)	12,210

4.3 Property/Estates

4.3.1 Building projects (note 7)

The programme of building works has been significantly impacted by the Covid-19 pandemic. The carry forward amount and other changes reflect an intent to complete delayed works and also some additional costs, funded from Covid grant, to ensure that sites are Covid safe for works to take place. The current forecast spend assumes that planned environmental enhancements are delayed until 2022-23.

4.4 IT and Communications (note 8)

4.4.1 Hardware Replacements – £198k has been moved from the 'Operational & Other Equipment' line to support a project to replace and harmonise end-of-life station end mobilising equipment across all fire stations. £100k related to the emergency services network has been removed from the current forecast spend and will be incurred at a later date.

4.4.2 Systems Harmonisation – the original budget covers £100k for the new equipment asset management system and £100k for upgrading the Agresso finance system. The asset management system changes are funded from Transformation Grant, so this item has now been removed from the capital programme and will be funded through the revenue budget. The Agresso upgrade is progressing well and the estimated spend can be reduced to £50k.

4.5 Vehicles and Equipment (note 9)

4.5.1 Vehicles – Like the property programme, the vehicle replacement programme has been significantly impacted by the Covid-19 pandemic over the past 18 months. All of the nineteen fire appliances on order from 2020 have now been delivered. A further ten appliances, including four with 4x4 capability are on order, with delivery phased over October 2021 to March 2022. Additionally, we have placed an order for six more appliances to meet replacement needs in 2022-23, and in doing so we have avoided a price increase and saved £26k. There are six flexi-duty officer vehicles due to be replaced this year, but these will now be replaced next year.

- 4.5.2 Operational & Other Equipment – the current spend forecast is £117k less than the revised budget due to savings on equipment purchases.

5. Summary and key points

- 5.1 The revenue budget shows a forecast outturn saving of £932k at the current time.
- 5.2 This is mainly due to the benefit of some one-off items. This includes additional funding that supports some already budgeted pay costs, the impact of business rates refunds and some remaining effects from the Covid pandemic. There are some capital financing savings that will be used to part fund this year's capital programme and reduce future borrowing requirements.
- 5.3 The overall Capital Programme budget for 2021-22 has increased to £12.2m at the current time, including carry forward requirements from last year and some in year changes. Projected spend against this is currently £11.55m.

December 2021