



**DORSET & WILTSHIRE  
FIRE AND RESCUE  
AUTHORITY**

Item 22/38

MEETING	Finance & Audit Committee
DATE OF MEETING	7 December 2022
SUBJECT OF THE REPORT	Financial Monitoring report - Quarter 2
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 2022-23 financial year, reflecting actual spending to 30 September 2022.</p> <p>The revenue budget shows a positive variance of £0.4m at the current time, mainly due to vacancies and some additional funding, but partially offset by cost increases on budgets significantly impacted by inflationary cost increases. The variance factors in the recently agreed corporate staff pay award, but not yet the operational staff pay award that is still subject to national consultation. Based on the 5% current offer to operational staff, the additional cost this year is estimated at £0.75m. Some of the additional pay costs this year will be offset by the reversal of the policy on national insurance increases. Overall, the budget may overspend slightly but it would be possible to utilise the balance of Covid grant funding held (£312k) to offset this before impacting on reserves that are earmarked to supporting the medium-term finance plan. Of more concern is the impact of these potential pay awards on future years, as they are currently unfunded, and add significantly to the already forecast budget gaps from 2023-24.</p>

	A revised Capital Programme total of £5.8m is shown in Section 4, reflecting carry forwards from last year and some further in-year changes.
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 note and comment upon the current financial position as at 30 September 2022.
BACKGROUND PAPERS	Medium Term Finance Plan 2022-23 to 2025-26
APPENDICES	Appendix A – Revenue Budget Summary 2022-23 Appendix B – Summary of Reserves 2022-23 Appendix C – Capital Budget Summary 2022-23
REPORT ORIGINATOR AND CONTACT	Name: Ian Cotter, Head of Financial Services & Treasurer Email: <a href="mailto:ian.cotter@dwfire.org.uk">ian.cotter@dwfire.org.uk</a> Tel no: 07500 066130

## **1. Introduction**

- 1.1 This report provides an update of the revenue budget position for the 2022-23 financial year, covering the period to 30 September 2022. The net revenue budget was set in February 2022 at £61.05m.
- 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 £346k for Employee costs, representing 0.7% 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. Given the current financial uncertainty, where possible vacancies are being held, with approval to recruit sitting with our Cross-Directorate group. The projections include the impact of the recently agreed corporate staff pay award, but still the budgeted 2% pay award allowed for all operational staff.
  - 2.1.2 Corporate staff pay award. The National Joint Council (NJC) for Local Government have made a pay offer of £1,925 on each pay point from 1 April 2022. This equates to a pay award ranging from just over 10% at the lowest spinal column points to 4% at the highest main spinal column points. We have estimated the average cost of the award to be around 6% based on our pay and grading structure and corporate establishment. This equates to an additional cost of £0.5m compared to the 2% pay award budgeted for. Of the three main local government unions, Unison and the GMB have accepted the offer, the Unite union rejected the offer. Acceptance by Unison and the GMB was sufficient to see the pay award approved.
  - 2.1.3 Operational staff pay award. The NJC for Fire and Rescue Services made an initial pay offer of 2% for operational staff to apply from 1 July 2022. This offer was rejected by the Fire Brigades Union and a second offer of 5% was made at the beginning of October. This followed discussion between the national employers and Government requesting additional funding to support an increased pay offer. No additional funding has been provided. The additional cost of the 5% offer is roughly £1.1m for a full year. This year's additional cost is estimated at £0.75m, based on current payroll estimates. The Fire Brigades Union (FBU) consulted its members on the improved offer, but it was also rejected. The FBU are now in the process of organising a ballot for industrial action and have written to all fire and rescue

services lodging a trade dispute over pay. The ballot for industrial action is expected to conclude by the end of January 2023.

- 2.1.4 Removal of the increase in national insurance rates from November will save an estimated £120k this year and we do not expect Government to claw back the additional funding that was provided to meet this cost. For 2023-24 we are currently assuming this change will be cost neutral as we expect the funding claw back will be made from April 2023.
- 2.1.5 Pension costs chargeable to the Service revenue budget are currently forecast to be £7k more than budgeted for.
- 2.2 Other non-pay related costs (note 2)
  - 2.2.1 Estimated non-pay costs have increased significantly in certain areas due to the impact of inflation. Because of the economic conditions it is difficult to predict the full impact, but the current projections include the following assumptions about additional costs:
    - Building maintenance - £100k;
    - Gas and electricity - £350k;
    - Fuel - £250k;
    - Airwave and Firelink charges - £62k; and
    - Private Finance Initiative (PFI) charges – only £5k this year, but more significant increase next year.
- 2.3 Capital Financing and Leasing Costs (note 3)
  - 2.3.1 The budget includes £2.7m in respect of charges to finance long-term borrowing. Due to the lower capital spending in 2021-22, 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 £38k, but further savings may accrue depending on our overall borrowing and financing needs. Given the recent sharp rise in Public Works Loan Board (PWLB) borrowing rates we have no plans for new long-term borrowing, but some short-term borrowing may be necessary for cashflow purposes.
- 2.4 Income (note 4)
  - 2.4.1 General income is ahead of budget mainly from arrears of income from mobile phone mast installations.

2.4.2 Investment returns will be more than budgeted for given the recent increases in interest rates. We currently anticipate returns of £60k compared to the budget amount of £15k.

2.4.3 Various adjustments to anticipated levels of grants and contributions are required:

- Firelink Grant - £567k budgeted, based on previous year plus inflation adjustment, but actual receipts will only be £439k. The Home Office notified fire and rescue authorities in June that they were reducing Firelink grant payments by 20% each year over the next five years. This puts an increased funding pressure on the Service as this funding was expected to continue until the new national radio scheme was in place.
- Local Resilience Forum (LRF) Funding Pilot - £165k has been allocated to the Dorset Civil Contingencies Unit from a funding pool of £7 million being made available to LRFs to fund additional capacity and capability.
- Protection Funding Grant – a further £271k has been allocated to us for the 2022-23 financial year and we expect similar sums in the following two years.
- Secondments - £110k for staff on secondments to other bodies.

2.5 Funding (note 5)

2.5.1 Business rates receipts are expected to be £1.76m less than usual due to the impact of Covid-19 and business rates reliefs provided by the Government. This shortfall is offset by additional grants provided the Government, some of which form part of our grant reserves brought forward from 2021-22, to be released in this year. Total funding is estimated at £866k less than budgeted, but £1.16m will be released from reserves. The overall impact on this year is a positive difference of £297k.

### **3. Reserves and Balances (note 6)**

3.1 Appendix B shows the details of reserves and balances.

3.2 General balances stood at £2.884m as at 1 April 2022. This is planned to increase to £2.930m for 2022-23.

3.3 Earmarked reserves (£16.3m) and grants (£4.1m) stood at £20.4m as at 1 April 2022. Appendix B shows the breakdown of reserves brought forward and the budget forecast indicates an overall reduction of £2.7m, excluding any in-year budget variance. There will undoubtedly be further changes required during the year.

#### 4. Capital Programme

- 4.1 The original Capital Programme for 2022-23 totalled £4.6m. Projects totalling £728k have been carried forward from 2021-22 and other in year changes result in a net increase of £455k. The revised Capital Programme for 2022-23 therefore currently stands at £5.8m.
- 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.

<b>Capital budget summary</b>	<b>Original Budget £'000s</b>	<b>Carry Forwards £'000s</b>	<b>In-Year Changes £'000s</b>	<b>Revised Budget £'000s</b>
Property/Estates	998	450	480	1,928
IT & Communications	1,232	88	(15)	1,305
Vehicles	1,960	140	0	2,100
Operational & Other Equipment	438	50	(10)	478
<b>TOTAL</b>	<b>4,628</b>	<b>728</b>	<b>455</b>	<b>5,811</b>

#### 4.3 Property/Estates

##### 4.3.1 Building projects (note 7)

The tender returns for this year's cyclical maintenance programme showed a significant increase in costs. The estimated value of works was £873k, with £673k supported through the capital programme. The tender returns showed an indicative value of £1,101k, so an additional cost of £228k. After reviewing other areas of work the overall cost increase this year has been reduced to an estimated £210k. Due to the significant increase in tender pricing that we have seen, and additional works that have been identified that need progressing in the near future, the capital programme amount allowed for Estates in 2023-24 will also need to be increased. This will require Fire Authority approval in December to allow officers to then progress with procurement of contractors early in 2023.

##### 4.3.2 Training Centre

Following approval of the Training Centre project at the Fire Authority meeting in September, the revised budget includes a provisional sum of £270k for professional fees and other costs expected to be incurred, particularly to support the planning application process.

#### 4.4 IT and Communications (note 8)

- 4.4.1 Hardware Replacements – The programme includes £547k for the replacement and upgrading of station end equipment across all fire stations. This project commenced in 2021 but has been subject to some procurement delays. Due to global microchip shortages current lead times vary considerably, so we may well see delivery and therefore spend split across 2022-23 and 2023-24. £100k is included for a telephony project that is scheduled to be progressed later in the financial year. There is a small saving of £15k overall.

#### 4.5 Vehicles and Equipment (note 9)

- 4.5.1 Vehicles – the majority of the vehicle replacement programme is on track. The six large appliances are near completion. Twelve officer response vehicles are on order and eight currently have confirmed build dates. Delivery of the remaining four may be delayed into 2023-24.
- 4.5.2 Operational & Other Equipment – the majority of equipment items relate to the replacement vehicles and are therefore also similarly on track.

### 5. Summary and key points

- 5.1 The revenue budget shows a forecast outturn saving of £427k at the current time due to vacancies and some additional funding, but partially offset by cost increases on budgets significantly impacted by inflationary cost increases.
- 5.2 The variance factors in the recently agreed corporate staff pay award, but not yet the operational staff pay award that is still subject to national consultation. Based on the 5% current offer to operational staff, the additional cost this year is estimated at £0.75m. Some of the additional pay costs this year will be offset by the reversal of policy on national insurance increases. Overall, the budget may overspend slightly but it would be possible to utilise the balance of Covid grant funding held (£312k) to offset this before impacting on reserves that are earmarked to supporting the medium-term finance plan. Of more concern is the impact of these potential pay awards on future years, as they are currently unfunded, and add significantly to the already forecast budget gaps from 2023-24.
- 5.3 The overall Capital Programme budget for 2022-23 has increased to £5.8m at the current time, including carry forward requirements from last year and some in year changes. However, it is likely that final spend will be less than this due to likely delays with various projects that are outside of our control.