



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Item 23/10

MEETING	Finance & Audit Committee
DATE OF MEETING	8 March 2023
SUBJECT OF THE REPORT	Financial Monitoring report - Quarter 3
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 31 December 2022.</p> <p>The revenue budget shows a negative variance of £0.5m at the current time, after factoring in the cost of pay awards, including the current 7% offer for operational staff. This is estimated to add £1.3m of additional cost in this year, compared to the 2% allowance made in setting the budget. The overall impact of pay awards is offset to a degree by vacancies and the removal of the increase in employer national insurance costs. As reported to Members, we have seen cost increases on budgets as a result inflationary cost pressures, but additional funding has been received. As noted in previous reports. Overall, the budget will show an overspend if the operational pay award is agreed at least 7%, but it would be possible to utilise the balance of the available Covid grant funding held (£312k) to offset this before impacting on reserves. It is now likely that some use of reserves will be required though.</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. Current spending against this is forecast at £4.6m
RISK ASSESSMENT	Financial sustainability remains a key focus as a strategic risk and as such the monitoring of the financial position is a crucial 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 of 31 December 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
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1. Introduction

- 1.1 This report provides an update of the revenue budget position for the 2022-23 financial year, covering the period to 31 December 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 overspend of £815k for Employee costs. 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 the corporate staff pay award that was agreed in October 2022, and now factor in the higher than forecasted impact of the 7% pay award that has recently been offered to operational staff.
 - 2.1.2 Operational staff pay award. The National Joint Council (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. The Fire Brigades Union (FBU) rejected the 5% offer and balloted its members for industrial action. The ballot for industrial action concluded on 30 January 2023 and there was overwhelming support for industrial action. Subsequently the NJC made a third offer, comprising of a 7% increase from July 2022 and a further 5% increase from July 2023. The FBU is consulting its members on this offer but has recommended that it is accepted. The consultation process ends on 6 March 2023. This year's additional cost is estimated at £1.3m, based on current payroll estimates and this has been factored into this Quarter 3 forecast.
 - 2.1.3 Removal of the increase in national insurance rates from November is estimated to save £120k this year and the Government is not clawing back the additional funding that was provided to meet this cost.
 - 2.1.4 Pension costs chargeable to the Service revenue budget are currently forecast to be £31k more than budgeted for.
 - 2.1.5 The latest forecast includes costs for restructuring to deliver a sustainable budget in future years. The costs are estimated at £166k.

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 - £240k, although partially offset by savings on staff travel costs;
- 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. Additionally, we can now include a further saving of £50k against interest costs as it has not been necessary to undertake any new borrowing so far, this financial year.

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 quite a bit more than budgeted for given the recent increases in interest rates. We now anticipate returns of £140k 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 of 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 of 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 respect of the estates and ICT programmes as further explained below.

Capital budget summary	Original Budget £'000s	Carry Forwards £'000s	In-Year Changes £'000s	Revised Budget £'000s
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
TOTAL	4,628	728	455	5,811

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 as reported previously. On site work for the programme commenced in quarter 3 and good progress is being made, but some projects will overrun into 2023-24. The Service is investing £225k in photovoltaics (solar panels) at five keys stations. The procurement for this work is now live with the contract award due in March 2023. It is expected that the completion of work should be in place in Spring/ Summer 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 procurement delays. The order for equipment was placed in early December, but due to global microchip shortages current lead times vary considerably. The current estimate assumes only £240k is spent in this financial year. £100k is included for a Service wide telephony project scheduled for quarter 4. We currently estimate spending £80k this year.

4.5 Vehicles and Equipment (note 9)

4.5.1 Vehicles – the majority of the vehicle replacement programme is on track. Of the six large appliances in this year's programme, five are complete. The remaining vehicle may not be completed until after the year end. Twelve officer response

vehicles are on order and, so far, seven have been delivered. The remainder are currently expected to be delivered by 31 March 2023.

- 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 overspend of £542k at the current time, due to the impact of pay awards and other cost pressures, and whilst some of this additional cost has been offset by vacancies and some additional funding, the overall impact is negative.
- 5.2 Reserves will need to be used to balance the budget. This will include utilising the balance of Covid grant funding held (£312k). Any further use of reserves will be determined once the outturn position is confirmed.
- 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. The current estimate of spend is £4.6m due to delays with various projects that are outside of our control.