



**DORSET & WILTSHIRE  
FIRE AND RESCUE  
AUTHORITY**

Item 23/39

MEETING	Finance & Audit Committee
DATE OF MEETING	13 September 2023
SUBJECT OF THE REPORT	Financial Monitoring report - Quarter 1 2023-24
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 2023-24 financial year, reflecting actual spending to 30 June 2023.</p> <p>The revenue budget shows a forecast negative variance of £137k at the current time, mainly due to the impact of pay awards, offset by some additional funding. The forecast assumes that the corporate staff pay award is agreed at the current offer of £1,925 or 3.88% on each pay point, whichever is higher. The operational pay award is settled at 5% from July. Some of the impact of the higher pay awards has been reduced due to current vacancy levels. The additional funding reflects the final position indicated to Members at the Fire Authority meeting in February.</p> <p>Spending on transport costs, capital financing and income from investments all show positive variances that help to further offset the pay award impact.</p> <p>A revised Capital Programme total of £9.851m is shown in Section 4, reflecting carry forwards from last year and some further in-year changes.</p>

	Section 5 includes information on treasury management activity, which is a new reporting requirement from 2023-24.
<b>RISK ASSESSMENT</b>	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.
<b>COMMUNITY IMPACT ASSESSMENT</b>	None for the purposes of this report
<b>BUDGET IMPLICATIONS</b>	None for the purposes of this report
<b>RECOMMENDATION</b>	Members are asked to note and comment upon the current financial position as at 30 June 2023.
<b>BACKGROUND PAPERS</b>	Medium Term Finance Plan 2023-24 to 2026-27
<b>APPENDICES</b>	Appendix A – Revenue Budget Summary 2023-24 Appendix B – Summary of Reserves 2023-24 Appendix C – Capital Budget Summary 2023-24 Appendix D – Prudential Indicators Appendix E - Current Borrowing and Investments
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## 1. Introduction

- 1.1 This report provides an update of the revenue budget position for the 2023-24 financial year, covering the period to 30 June 2023. The net revenue budget was set in February 2023 at £66.6m.
- 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. Appendices D and E provide information on treasury management activity.

## 2. Major Variations from Revenue Budget

- 2.1 Employees (note 1)
  - 2.1.1 The report shows an overall projected overspend of £990k for Employee costs, representing 1.8% 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 overspend will fluctuate depending on levels of operational activity and through vacancy management. The projections include the impact of the agreed operational staff pay award, 5% from July 2023, and the currently offered corporate staff pay award.
  - 2.1.2 Corporate staff pay award. The National Joint Council for Local Government have made a pay offer of £1,925 or 3.88%, whichever is the higher, on each pay point from 1 April 2023. This equates to a pay award ranging from just over 9% at the lowest spinal column points to 3.88% at the highest main spinal column points. The average cost of the award is estimated to be around 5.8%, based on our pay and grading structure and corporate establishment, and equates to an additional annual cost of £270k compared to the 4% pay award budgeted for. The three main local government unions, Unison, Unite and GMB, are currently consulting members on whether to accept this pay offer.
  - 2.1.3 Operational staff pay award. Back in March, the operational staff pay awards for 2022 (7% from July 2022) and 2023 (5% from July 2023) were agreed by the National Employers and Fire Brigades Union. Both of these awards were in excess of what the Service had budgeted for and the total additional cost is estimated at £1.15m for a full year.
- 2.2 Other non-pay related costs (note 2)
  - 2.2.1 There is a small forecast saving currently on staff car and mileage allowances, but at this early stage in the year other budgets are assumed to spend in line with allocations.

## 2.3 Capital Financing and Leasing Costs (note 3)

2.3.1 The budget includes £2.65m in respect of charges to finance long-term borrowing. Due to the lower capital spending in 2022-23, 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 £64k, but further savings may accrue depending on our overall borrowing and financing needs.

## 2.4 Income (note 4)

2.4.1 Investment returns will be more than budgeted for given the recent increases in interest rates. We currently anticipate returns of £125k compared to the budget amount of £75k.

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

- LRF Funding Pilot – a further £165k has been allocated to the Dorset Civil Contingencies Unit from a funding pool made available to Local Resilience Forums (LRFs) to fund additional capacity and capability.
- Secondments - £220k for staff on secondments to other bodies. This may increase if two current secondments are extended.

## 2.5 Funding (note 5)

2.5.1 Overall funding is forecast to increase by £722k due to final allocations of business rates funding and associated Government grants. This is in line with the final position advised to the Fire Authority at the February meeting.

## 3. Reserves and Balances (note 6)

3.1 Appendix B shows the details of reserves and balances.

3.2 General balances stood at £3.05m as at 1 April 2023, representing 5% of the 2022-23 net revenue budget. This is planned to increase to £3.1m this year.

3.3 Earmarked reserves (£14.5m) and grants (£2.1m) stood at £16.6m as at 1 April 2023. Appendix B shows the breakdown of reserves brought forward and the budget forecast indicates an overall reduction of £633k, mainly from planned use of reserves included in the original budget. There will undoubtedly be further changes required during the year.

## 4. Capital Programme

- 4.1 The original Capital Programme for 2023-24 totalled £7.1m. Projects totalling £2.6m have been carried forward from 2022-23 and other in year changes result in a net increase of £2.75m. The revised Capital Programme for 2023-24 therefore currently stands at £9.85m.
- 4.2 Appendix B shows current and projected spending levels and sections 4.3 to 4.5 provide more detail. Final actual spending is likely to be less than currently shown due to some projects being deferred.

<b>Capital budget summary</b>	<b>Original Budget</b> £'000s	<b>Carry Forwards</b> £'000s	<b>In-Year Changes</b> £'000s	<b>Revised Budget</b> £'000s
Property/Estates	1,715	1,270	(55)	2,930
IT & Communications	856	782	0	1,638
Vehicles	3,932	457	182	4,571
Operational & Other Equipment	590	122	0	712
<b>TOTAL</b>	<b>7,093</b>	<b>2,632</b>	<b>127</b>	<b>9,851</b>

### 4.3 Property/Estates

#### 4.3.1 Building projects (note 7)

The Estates and Procurement Team are currently evaluating the tender returns for this year's cyclical maintenance programme. The estimated value of works allowed for was £980k, with £780k supported through the capital programme.

The revised budget amount includes £719k in respect of the training centre project. Current spending this year totals £32k and final spending for the year will very much be dependent on the project timescales. The spending profile will be reevaluated at the same time as the overall project cost.

### 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. Stage payments of £74k have been made against an initial purchase order value of £492k. The balance of funds are being held as a provision against other works that may be required to complete the project. £100k is included to upgrade Service telephony infrastructure that was originally scheduled for last year. Current spending is at £81k. It is likely that our current network contracts will be extended for a further period, and this would defer £150k of planned spend into 2024-25.

Command & Control System – The current mobilising system needs to be replaced, with the current contract ending in 2025. A replacement is being procured through the Networked Fire Services Partnership (NFSP) and £309k is included in this year's programme for our share of initial project costs, with further allocations included in the two following years. Due to procurement issues this project is likely to slip and require an extension to the current contract.

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

4.5.1 Vehicles – all of the large vehicles (pumping appliances, water carriers and command vehicles) are on order and scheduled for delivery this year. Relevant equipment and fitting out works are still subject to ongoing procurement processes. Six replacement flexi-duty officer vehicles are on order, with delivery expected by December. In addition, there are a number of procurements to complete for white fleet replacements, although one training centre support vehicle has already been replaced.

4.5.2 Operational & Other Equipment – the majority of equipment items relate to the large vehicle replacements and are therefore similarly on track.

### 5. Treasury Management

5.1 The Authority approved the Treasury Management Strategy for 2023-24 at its meeting in February. The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and Treasury Management Code now require that treasury management activity is reported quarterly as part of an authority's general revenue and capital monitoring.

5.2 The Authority has a statutory duty to determine and keep under review the affordable borrowing limits. During the first quarter the Authority has operated within the treasury and prudential indicators set out in the approved strategy. No difficulties are envisaged for the current or future years in complying with these indicators.

5.3 All treasury management operations have also been conducted in full compliance with the Authority's Treasury Management Practices.

5.4 The Prudential Indicators are shown in Appendix D.

#### 5.5 Borrowing

5.5.1 At the start of the financial year, the Authority had outstanding borrowing totalling £16.3m. The Authority also has an assessed Capital Financing Requirement (CFR) (for capital expenditure purposes), which is the Authority's underlying need to externally borrow to finance capital expenditure. This stood at £32m as at 1 April

2023, with the difference of £15.7m being the level of internal borrowing, commonly referred to as the level of under-borrowing.

5.5.2 There has been no new borrowing or repayments of principal during the first quarter, leaving the level of outstanding borrowing at £16.3m. Details of current loans is shown in Appendix E.

5.5.3 The Treasury Management Strategy assumes that new borrowing of £4m would potentially be undertaken in 2023-24. At the current time, given high interest rates, any borrowing will only be undertaken on a short-term basis to support cashflow, avoiding locking in the Authority to longer-term borrowing at expensive interest rates.

## 5.6 Investments

5.6.1 Investments in the first quarter of 2023-24 were only made in 'Money Market Funds' and 'On-Call Deposits' with a maturity date less than one year, in accordance with the Authority's Annual Investment Strategy. Investment transactions totalled £12.8m, and disinvestment transactions totalled £17.6m. Net investments therefore decreased by £4.8m, bringing the total invested at 30 June 2023 to £1.3m. (Total invested at 1 April 2023 was £6.1m).

5.6.2 During quarter 1 gross income from investments totalled £39k.

5.6.3 Details of investments as at 30 June 2023 are shown in Appendix E.

## 6. **Summary and key points**

6.1 The revenue budget shows a forecast outturn overspend of £137k at the current time. This is mainly due to the impact of pay awards, although offset by some additional funding and early forecast savings.

6.2 The overall Capital Programme budget for 2023-24 has increased to £9.87m at the current time, including carry forward requirements from last year and some in year changes.