



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Item 23/51

MEETING	Finance & Audit Committee
DATE OF MEETING	6 December 2023
SUBJECT OF THE REPORT	Financial Monitoring report - Quarter 2 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 September 2023.</p> <p>The revenue budget forecast now shows a positive variance of £329k, compared to a negative variance of £137k at quarter 1. The net negative impact of higher pay awards, offset by some additional funding, seen in quarter 1 has been reduced, with the main changes coming from lower pay costs, lower fuel costs and additional investment income. Some of the impact of the higher pay awards continues to be offset by current vacancy levels. The budget allowed for higher fuel inflation than we are currently experiencing. The additional investment income reflects the rise in interest rates.</p> <p>A revised Capital Programme total of £8.590m is shown in Section 4, reflecting carry forwards from last year and some further in-year changes.</p> <p>Section 5 includes information on treasury management activity, which is a new reporting requirement from 2023-24.</p>
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 2023.
BACKGROUND PAPERS	Medium Term Finance Plan 2023-24 to 2026-27
APPENDICES	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 September 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 £696k for Employee costs, representing 1.3% of the budget amount. The quarter 1 forecast showed a projected overspend of £990k. The forecast 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 forecast does fluctuate depending on levels of operational activity and through vacancy management, with spending on On-Call pay contributing two-thirds of the change from quarter 1.
- 2.1.2 Corporate staff pay. The National Joint Council for Local Government pay offer of £1,925 or 3.88%, whichever is the higher, has now been agreed and was implemented on the November payroll. The average cost of the award is estimated to be around 5.8%, based on our pay and grading structure, and equates to an additional annual base budget cost of £270k compared to the 4% pay award budgeted for. This year's cost is built into the forecast, but at the current time is offset by the impact of a number of vacancies across corporate roles.
- 2.1.3 Operational staff pay. Wholetime and on-call pay shows a forecast overspend of £1m as a result of the higher pay awards, but this is £240k less than in quarter 1. Control pay has a small underspend as a result of vacancies.

2.2 Other non-pay related costs (note 2)

- 2.2.1 A £100k saving against the cost of vehicle fuel has now been included in this forecast. A higher inflation provision was allowed in the budget as a one-off additional cost, but the cost impact this year has been less than expected. Some of the provision has been retained at this stage as we have seen fuel prices rise again in recent weeks. It is likely that additional base budget provision will need to be made in future years. We continue to forecast a small saving on staff car and mileage allowances.

- 2.2.2 Other budgets are assumed to spend in line with allocations, although there are small variations in terms of premises cleaning costs and Airwave monthly charges as a result of contractual inflation. These are reflected against the 'Premises' and 'Supplies and Services' lines in Appendix A.
- 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. The current savings estimate remains at £64k, the same as in quarter 1, but further savings may accrue depending on our overall borrowing and financing needs. Some short-term borrowing will be required to support cashflow.
- 2.4 Income (note 4)
- 2.4.1 Investment returns will be more than budgeted for given the recent increases in interest rates. Current cashflow forecasting suggests anticipated returns of £200k now, compared to the budget amount of £75k.
- 2.4.2 Various adjustments have been made for anticipated levels of grants and contributions, with the budget increasing by £415k from:
- LRF Funding Pilot – £165k 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 – expected income has increased from £220k to £250k with two secondments being extended for short periods.
- 2.5 Funding (note 5)
- 2.5.1 Overall funding remains forecast to increase by £722k due to final allocations of business rates funding and associated Government grants, 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 £645k, 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. In year changes now show a reduction of £1m. The revised Capital Programme for 2023-24 therefore currently stands at £8.6m.
- 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.

Capital budget summary	Original Budget £'000s	Carry Forwards £'000s	In-Year Changes £'000s	Revised Budget £'000s
Property/Estates	1,715	1,269	(737)	2,247
IT & Communications	856	782	(479)	1,159
Vehicles	3,932	458	92	4,482
Operational & Other Equipment	590	122	(10)	702
TOTAL	7,093	2,631	(1,134)	8,590

4.3 Property/Estates

4.3.1 Building projects (note 7)

The Estates and Procurement Team have now evaluated 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 actual value of works scheduled totals £987k. Work started on the first sites in November.

The revised budget amount previously included £719k in respect of the training centre project. This has now been removed and any costs incurred during this year will be funded through the revenue budget.

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 £197k 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. Our current network and wireless contracts are being extended for a further year deferring £170k of planned spend into 2024-25.

- 4.4.2 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 was 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 slipping and the current contract will be extended. The costs included for this year have therefore been deferred. The total one-off and ongoing costs for the new system will be significantly higher than currently allowed for in future revenue and capital budgets.

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 second 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 during the first six months of 2023-24 and £18k has been repaid on existing loans. The level of outstanding borrowing is currently £16.2m. 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 six months 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 £37.9m, and disinvestment transactions totalled £35.4m. Net investments therefore increased by £2.5m, bringing the total invested at 30 September 2023 to £8.6m. (Total invested at 1 April 2023 was £6.1m).
- 5.6.2 Gross income from investments totalled £146k.
- 5.6.3 Details of investments as at 30 September 2023 are shown in Appendix E.

6. **Summary and key points**

- 6.1 The revenue budget now shows a forecast outturn underspend, £329k, compared to an overspend of £137k previously. Forecast pay costs have reduced since quarter 1 helping to offset the impact of higher pay awards. Some additional funding has been received or is forecast and there are some other savings forecast, principally around transport costs.
- 6.2 The forecast for capital spending has reduced and now stands at just under £8.6m, compared to £9.9m previously.