



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Item 24/11

MEETING	Finance & Audit Committee
DATE OF MEETING	7 March 2024
SUBJECT OF THE REPORT	Financial Monitoring report - Quarter 3 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 31 December 2023.</p> <p>The revenue budget forecast now shows a positive variance of £658k, compared to £329k at quarter 2. The net negative impact of higher pay awards, offset by some additional funding, seen previously has reduced further. The main changes from quarter 2 are additional savings on operational pay costs, a further reduction in forecast spend on fuel, additional investment income and some more grant funding. These positive impacts are then offset by additional spend on reactive property maintenance and electricity charges.</p> <p>A revised Capital Programme total of £8.55m is shown in Section 4, reflecting carry forwards from last year and in-year changes. The current outturn forecast spending of £7.1m.</p> <p>Section 5 updates Members on treasury management activity.</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
ENVIRONMENTAL 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 31 December 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 31 December 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 £317k for Employee costs, representing 0.6% of the budget amount. The quarter 2 forecast showed a projected overspend of £696k. 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.
 - 2.1.2 Reduced spending on wholetime and on-call pay is the main contributing factor in the reduced overspend. Corporate and control staff pay both continue to show underspends as a result of vacancies.
- 2.2 Other non-pay related costs (note 2)
 - 2.2.1 An overspend on cleaning costs has been previously reported. This is currently estimated at £21k. In addition, this current forecast also now includes projected overspends on reactive building maintenance works and electricity charges which push the overall overspend on property costs to £248k.
 - 2.2.2 The forecast saving against the cost of vehicle fuel has now been increased from £100k to £141k. 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. We continue to forecast some savings on staff car and mileage allowances.
 - 2.2.3 Other budgets are assumed to spend in line with allocations, although there is a small variation for Airwave monthly charges as a result of contractual inflation. This is reflected against the ‘Supplies and Services’ line 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 is now £124k. The forecast assumes that the saving will be used to help fund the capital programme and reduce the borrowing requirement.

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 £300k 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:

- Local Resilience Forum (LRF) Funding Pilot – £165k allocated to the Dorset Civil Contingencies Unit from a funding pool made available to LRFs to fund additional capacity and capability.
- Secondments – expected income is now £230k compared to £250k in Quarter 2 as one secondment has ended earlier than expected.

2.4.3 We expect to receive an additional £90k of grant income from the Home Office for work they are funding in respect of the new Building Safety Regulator. This is helping to offset some of our additional investment in Protection resources.

2.5 Funding (note 5)

2.5.1 Overall core 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 £653k, 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 £1.2m. The revised Capital Programme for 2023-24 therefore currently stands at £8.55m.

4.2 Appendix B shows current and projected spending levels and sections 4.3 to 4.5 provide more detail. The current estimate for final actual spending is now £7.1m due to projects being deferred and is in line with the estimated spend presented to the Fire Authority in the budget papers presented on 8 February 2024.

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	(530)	1,108
Vehicles	3,932	458	76	4,466
Operational & Other Equipment	590	122	19	731
TOTAL	7,093	2,631	(1,172)	8,552

4.3 Property/Estates

4.3.1 Building projects (note 7)

Approximately 50% of the works carried forward from 2022-23 are completing this year. The remainder are further deferred due to tie ins with other projects or project delays. £270k relates to the training centre project and a further £200k relates to works at Beaminster Fire Station which has been delayed due to planning issues and reaching agreement with Wessex Water to build over existing sewer infrastructure. Work on this year’s cyclical maintenance programme commenced on site in November, principally at north area sites and this is forecast to be completed by the end of March. Works on south area sites has been delayed due to the time taken to finalise agreements with the appointed contractor and a need for further review of requirements. This will mean that the majority of works will not be complete by the end of March. The overall impact of deferred works is estimated at £810k at the current time.

As previously reported £719k in respect of the training centre project has been removed and any costs incurred during this year are being 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 will be carried forward to 2024-25 as a provision against other works that may be required to complete the project. Our current network and wireless contracts are being extended for a further year deferring £170k of planned spend into 2024-25. Due to market issues, we do not expect to be able to purchase all of the planned ICT hardware replacements this year and have provisionally assumed that £50k of spend will be deferred to 2024-25 but this may increase.

4.4.2 Command & Control System – The procurement process for the new system is now out to the market. The £309k included in this year's programme has been removed.

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 and this may lead to some spend being deferred to 2024-25, particularly in respect of the command vehicles. Six replacement flexi-duty officer vehicles have now been delivered. In addition, there are a number of procurements to complete for white fleet replacements. One van and a training centre support vehicle have already been replaced. Four large vans are now on order but will not be delivered this financial year.

4.5.2 Operational & Other Equipment – the majority of equipment items relate to the large vehicle replacements and are therefore similarly on track. £44k allocated for replacing two breathing apparatus compressors has been deferred.

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 third 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 nine 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 2024-25, approved by the Fire Authority on 8 February 2024, assumes that new borrowing of £5m 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 nine 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 £54.8m, and disinvestment transactions totalled £58.6m. Net investments therefore decreased by £3.8m, bringing the total invested at 31 December 2023 to £2.3m. (Total invested at 1 April 2023 was £6.1m).

5.6.2 Gross income from investments totalled £269k by the end of quarter 3.

5.6.3 Details of investments as at 31 December 2023 are shown in Appendix E.

6. **Summary and key points**

6.1 The revenue budget shows a forecast outturn underspend, £658k, compared to an underspend of £329k previously. Forecast pay costs have reduced further during quarter 3 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 £7.1m, compared to a revised budget amount of £8.55m.