



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Item 25/10

MEETING	Finance & Audit Committee
DATE OF MEETING	24 February 2025
SUBJECT OF THE REPORT	Financial Monitoring Report - Quarter 3 2024-25
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 2024-25 financial year, reflecting actual spending to 31 December 2024.</p> <p>The revenue budget shows a forecast positive variance of £2,392k at the current time, mainly due to variances on employee costs and additional investment interest income.</p> <p>A revised Capital Programme total of £6.77m is shown in Section 4, reflecting carry forwards from last year and some further in-year changes.</p>
RISK ASSESSMENT	<p>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.</p>
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 2024.
BACKGROUND PAPERS	Medium Term Finance Plan 2024-25 to 2027-28
APPENDICES	<p>Appendix A – Revenue Budget Summary 2024-25</p> <p>Appendix B – Summary of Reserves 2024-25</p> <p>Appendix C – Capital Budget Summary 2024-25</p> <p>Appendix D – Prudential Indicators</p> <p>Appendix E - Current Borrowing and Investments</p>
REPORT ORIGINATOR AND CONTACT	<p>Name: Ryan Maslen, Deputy Assistant Chief Officer - Financial Services and Treasurer</p> <p>Email: ryan.maslen@dwfire.org.uk</p> <p>Tel no: 07500 669442</p>

1. Introduction

- 1.1 This report provides an update of the revenue budget position for the 2024-25 financial year, covering the period to 31 December 2024. The net revenue budget was set in February 2024 at £73.9m.
- 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 underspend of £1,886k for Employee costs, representing 3.16% 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 variance will fluctuate depending on levels of operational activity and through vacancy management. The projections include the impact of the agreed wholetime staff pay award, 4% from July 2024, and the corporate staff pay award, which dependent on the grade is either £1,290 per annum or 2.50%.
 - 2.1.2 The most significant variance within the employees' section is a forecast underspend of £1,310k for on-call costs. This has reduced slightly from the quarter two figure of £1,379k. Demand, and therefore costs, in quarter three have returned towards what we would typically expect at this time of year.
 - 2.1.3 The lower operational activity levels earlier in the financial year and the positive impact of the automatic fire alarm policy change that was implemented in April 2024 have still driven a significant decline in overall on-call attendance levels across the year when compared to last year.

On-call Attendance	Apr - Dec 2023	Apr - Dec 2024	Difference
Incidents Attended	5,790	5,217	-9.90%
Fires	1,841	1,832	-0.50%
Non-Fire Incidents	1,550	1,412	-8.90%
False Alarms	2,399	1,973	-17.80%
Total	11,580	10,434	-9.90%

2.1.4 Looking specifically at incident numbers in quarter three for both years illustrates that activity levels have largely returned to the historical position. The equivalent analysis for quarter two showed a 11.20% reduction between years. The total incidents attended in quarter two 2024 was 3,424.

On-call Attendance	Q3 Oct - Dec 2023	Q3 Oct - Dec 2024	Difference
Incidents Attended	1,880	1,850	-1.60%
Fires	503	569	13.10%
Non-Fire Incidents	551	512	-7.10%
False Alarms	826	769	-6.90%
Total	3,760	3,700	-1.60%

2.1.5 A small overspend of £66k is forecast on wholetime staffing costs. There is a total positive variance over the remaining staff groups – control and corporate staff – and associated costs of £644k. This is largely due to staff turnover and the period that posts are vacant. Recruitment processes can take a considerable period and posts can remain vacant for longer than ideal due to the required notice periods for successful applicants and other factors which can delay start dates.

2.2 Other non-pay related costs (notes 2 – 5)

2.2.1 The forecast overspend of £121k on premises costs is mainly due to the flood damage at Marlborough, where costs of £112k have been incurred. The associated insurance claim, and the reimbursement which is shown under income, is progressing well with full settlement expected to be completed in quarter four.

2.2.2 A small positive variance is forecast on vehicle costs, linked to lower than expected repair and maintenance, fuel and mileage costs. Fuel usage and movement in prices is being closely monitored to ensure sufficient budget is allocated in 2025-26.

2.2.3 The projected underspend on supplies and services costs is £41k, representing 0.7% of the budget amount. This is due to a number of small contributory factors on items such as smoke detectors, equipment purchase and maintenance, uniform, ICT costs and hydrant maintenance.

2.2.4 A small negative variance of £29k is forecast on agency and contracted out services. Higher than previously anticipated costs are now expected due to the change in arrangements for the provision of legal advice and monitoring officer services. Additional costs are also being incurred on the provision of specialist advice on areas such as environmental enhancements and employment law.

2.3 Income (note 6)

- 2.3.1 The over-recovery of general income is mainly due to the Marlborough insurance reimbursement outlined above.
- 2.3.2 Whilst the budgeted income target for investment returns has been increased in 2024-25, performance continues to exceed the targeted level. Cash balances are monitored daily and a pro-active approach to maximising returns is being utilised to take advantage of the ongoing uplift in yield returns available. The Service now expects to generate more than £500k in investment income this financial year.
- 2.3.3 Final grant allocations for 2024-25 were confirmed after the budget was formally set in February and some are linked to ongoing reporting processes throughout year, which means overall levels can be subject to small variations.
- 2.3.4 As part of the final funding settlement for 2025-26, central Government also confirmed the distribution of accumulated surpluses from the national business rate levy account. This one-off adjustment was unexpected and the Service will now receive £88k in March 2025.

3. Reserves and Balances (note 7)

- 3.1 Appendix B shows the details of reserves and balances.
- 3.2 General balances stood at £3.102m as at 1 April 2024. This is planned to increase to £3.157m this year.
- 3.3 Earmarked reserves (£15.8m) and grants (£2.0m) stood at £17.8m as at 1 April 2024. Appendix B shows the breakdown of reserves brought forward and the budget forecast currently indicates a small increase in-year of £24k.
- 3.4 Reserves being maintained for specific projects, or grant reserves with specific conditions, are utilised wherever permissible. The capital replacement reserve has been ring-fenced for key strategic projects and the expectation is that this will be fully utilised by 2028/29.

4. Capital Programme

- 4.1 The original Capital Programme for 2024-25 totalled £14.0m. Projects totalling £2.9m have been carried forward from 2023-24 and further in-year changes of £10.1m have been identified. This is due to the delays being experienced on some projects linked to matters outside of the direct control of the Service, such as planning approval and lead times on the production and delivery of assets. The revised Capital Programme for 2024-25 therefore currently stands at £6.77m.
- 4.2 Appendix C shows current and projected spending levels in 2024-25 and sections 4.3 to 4.5 provide more detail.

4.3 Property/Estates

4.3.1 Building projects (note 8)

A negative variance is forecast due to a number of small factors on different projects. Additional inflationary costs have been incurred at Beaminster due to delays in obtaining planning permission for the works required. Cyclical maintenance work at Marlborough has been brought forward to coincide with the wider repair works that are ongoing following the flood damage earlier in the year. Additional work is also underway at Westlea, where changes are being made to service provision linked to the wider Resourcing and Savings Programme work.

4.4 IT and Communications (note 9)

4.4.1 There is a positive variance expected on ICT costs. The wide area network replacement process has provided the opportunity to utilise alternative arrangements for firewall provision. This had been provided for separately within the capital programme, but the amalgamation of the two projects has led to a reduced overall cost.

Command & Control System – The tender process for the replacement system, being procured through the Networked Fire Services Partnership (NFSP), concluded in quarter two. Prior to the tender process, likely costs across the whole partnership were estimated to be £7.5 million. A total sum of £2.1m was built into our capital programme as part of budget setting for 2024-25, with £800k as the estimated expenditure within the current year. The partnership arrangement has enabled significant savings to be generated from the tender process, with the contract awarded to NEC. Total project costs are expected to be £4.3m, with our share being £1.1m. £200k of those costs will be incurred in this financial year and the remainder was built into the capital programme approved as part of the budget setting papers at Fire Authority earlier this month. The expected implementation date for the system is quarter one 2027-28.

4.5 Vehicles and Equipment (note 10)

4.5.1 Vehicles – the Authority has ordered sixteen new pumping appliances, with the first four due to be delivered in March 2025. The last four are scheduled to be delivered in the Summer of 2027. A number of other vehicles have been ordered and will be delivered in this financial year. A number of small efficiencies have been achieved as part of the ordering process, with wider review work also identifying the option to delay or in some cases cease planned expenditure.

5. Treasury Management

5.1 The Authority approved the Treasury Management Strategy for 2024-25 at its meeting in February. The Chartered Institute of Public Finance and Accountancy

(CIPFA) Prudential Code and Treasury Management Code 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 £16.2m. 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 £41.96m as at 1 April 2024, with the difference of £25.7m being the level of internal borrowing, commonly referred to as the level of under-borrowing.
- 5.5.2 Cashflow activity is closely managed on a daily basis to ensure ongoing liquidity. The Authority borrowed £3m for 50 days in June 2024, but there has been no additional need to borrow in the period since.
- 5.5.3 The Treasury Management Strategy written prior to the year commencing estimated that new borrowing of £9.8m would need to be undertaken in 2024-25. Just under half of the planned capital expenditure for the year was linked to the training centres project. Due to the delay in obtaining planning permission there has been a knock-on impact to the timing of the required procurement process and therefore the timescales for expected financial expenditure being incurred. There is now no expected requirement for further borrowing in 2024-25.
- 5.6 Investments
- 5.6.1 During the second quarter of 2024-25 the Authority received £20m of expected pension related funding from central Government, which significantly boosted cashflow levels. Officers worked with our appointed treasury advisors to identify investment opportunities aligned to our Treasury Management Strategy. At the end of July £11m was invested across five different counterparties, with durations of either 3 or 6 months based on the need to support wider cashflow liquidity needs. Upon maturity these funds have been re-invested where cashflow needs permit to maximise investment returns.

- 5.6.2 Alongside these fixed term investments, daily cashflow was managed via instant access 'Money Market Funds' and 'On-Call Deposits'. Investment transactions totalled £22.2m and disinvestment transactions totalled £27.7m in the quarter. Net investments therefore decreased by £5.5m, bringing the total invested as at 30 September 2024 to £12.7m. (Total invested as at 1 October 2024 was £18.2m).
- 5.6.3 Details of the investments held as at 31 December 2024 are shown in Appendix E. Income generated to date is £323k. £9.5m of short-term investments did mature at the end of January / start of February 2025. £5m has subsequently been re-invested with a local Council until the beginning of April at a rate of 5.45%.

6. Summary and key points

- 6.1 The revenue budget shows a forecast outturn underspend of £2,392k at the current time. This is mainly due to positive variances on employee costs and additional investment interest income.
- 6.2 The nature of the underlying factors which are causing the underspend are temporary in nature. Operational activity of on-call staff will always be subject to variation, as will investment income which is effectively driven by the interest rates set by the Bank of England. Budgets in both of these areas have been reviewed as part of the 2025-26 budget setting process to ensure they are appropriate.
- 6.3 At the end of the financial year once the outturn position is confirmed, the variance will be credited to earmarked reserves and will be used to support capital projects and other areas across the Service which may require one off investment to support service provision.
- 6.4 The overall Capital Programme budget for 2024-25 has reduced to £6.77m at the current time, reflecting the delays to some projects being experienced. These budget allocations will be carried forward into 2025-26 and this movement will be brought back to this Committee in the Summer of 2025 for formal approval.