

EAST SUSSEX FIRE AND RESCUE SERVICE

Meeting	Policy & Resources Panel
Date	23 July 2020
Title of Report	Revenue Budget and Capital Programme Monitoring Provisional Outturn 2019/20
By	Duncan Savage – Assistant Director Resources/Treasurer
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Background Papers	None
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Appendices	Appendix 1: 2019/20 Revenue Budget - Objective Analysis Appendix 2: 2019/20 Capital Budget Monitoring Appendix 3: 2019/20 – 2023/24 Capital Budget Monitoring Appendix 4: 2019/20 Reserves Projections Appendix 5: Monitoring of Savings 2019/20 Appendix 6: Cash Investments as at 31 March 2020
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Implications

CORPORATE RISK		LEGAL	
ENVIRONMENTAL		POLICY	
EQUALITY IMPACT		POLITICAL	
FINANCIAL	✓	OTHER (please specify)	
HEALTH & SAFETY		CORE BRIEF	
HUMAN RESOURCES			

PURPOSE OF REPORT	To report on the provisional outturn for the 2019/20 Revenue Budget and Capital Programme.
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EXECUTIVE SUMMARY	This report is on an exception basis and addresses those areas where there are material variances, based on the position at 31 March 2020. The forecast may change as the year end process continues and is subject to external audit.
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The Revenue Budget is provisionally overspent by a net £48,000 or 1% of the Net Revenue Budget. This is an adverse variation of £220,000 from the forecasted underspend of £173,000 reported in January 2020.

There are a range of variances across the Revenue Budget with the material ones being as follows:

- £84,000 underspend in People Services
- £357,000 overspend in Safer Communities
- £337,000 overspend in Operational Support
- £213,000 underspend in Corporate
- £300,000 surplus Financing

The overall revised Capital Programme to 2023/24 is provisionally forecast to be £9,000 underspent. The current year's revised Capital Programme is provisionally forecast to be £456,000 underspent, of which £447,000 is slippage into the next financial year against the revised Capital Programme, leaving £9,000 as the real underspend.

The Fire Authority maintains Reserves in order to assist it in managing its specific spending plans across the financial year (Earmarked Reserves) and making provisions for the financial risks it faces (General Fund Reserves). A summary of the year end position, can be found at Appendix 4. The year-end forecasted balance on reserves is £23,281,000, 33% higher than planned. The planned net drawdown of £8,150,000 is now an actual drawdown of £2,370,000, a reduction of £5,780,000. The main changes are the decreased use of revenue reserves (£1,920,000) as projects were delayed as well as an increase in Section 31 grant as a result of Covid-19. Additionally, a significant reduction in capital spend meant the draw down from capital reserves was £3,860,000 lower than originally planned.

Appendix 5 summarises the savings of £413,000 already taken from the 2019/20 budget and achieved in full.

The Fire Authority had £24.35m cash investments at 31 March 2020.

RECOMMENDATIONS

The Panel is asked to note:

- (i) the provisional 2019/20 Revenue Budget outturn,
- (ii) the provisional Capital Programme outturn,
- (iii) the net use of Reserves during the year
- (iv) the Savings delivered in 2019/20, and
- (v) the Cash Investments at year-end.

The Panel is asked to approve:

- (vi) the Capital slippage of £447,000 into 2020/21;

- (vii) the use of General Fund reserves to finance the net provisional overspend of £48,000, as set out in paragraph 6.6.
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1. Introduction

- 1.1 This report is based on the provisional year-end position and remains subject to external audit.
- 1.2 This is the fourth report to P&R Panel, for the 2019/20 financial year, and shows the financial position prior to external audit. There remains a small chance that these provisional figures will change as the year-end processes conclude.

	This P&R report	Last P&R report	Movement
	£'000	£'000	£'000
Revenue (see section 2)	48	(173)	221
Capital in year (see section 4)	(456)	-	(456)

- 1.3 The Revenue Budget is provisionally overspent by a net £48,000 (previously reported as £173,000 underspend) or 1% of the Net Revenue Budget. This is an adverse variation of £221,000 from the forecasted underspend of £173,000 reported in January 2020. This variation is summarised across divisions in Appendix 1 and detailed explanations provided in section 2 below.
- 1.4 The Capital Programme was revised by the Fire Authority in February 2020 to £29.163m to reflect updated spending plans. This reduced the 2019/20 in-year budget from £7.714m to £3.064m, a reduction of £4.65m.
- 1.5 The overall Capital Programme is provisionally forecast to be £9,000 underspent. The current year's revised Capital Programme is provisionally forecasted to be £456,000 underspent, of which £447,000 is slippage into the next financial year, leaving £9,000 as the real underspend, as summarised in Appendices 2 and 3 and detailed in section 4 below.

2. Revenue Budget Commentary

- 2.1 **People Services:** People Services has underspent by £84,000 (previously underspend of £75,000) and is due mainly to vacancies within Human Resources (HR £92,000, and the need to adjust the HR staffing structure including JDs and job evaluations). Occupational Health £36,000 underspend on medical fees. There is still ongoing work in this area to clarify annual spend with Sussex and Surrey Police. Health and Safety £22,000 underspend due to staffing vacancies and equipment. The overspend on Training of £69,000 was due to the requirement to run additional unplanned courses specifically for the change in the Officer's rota following the Service Delivery Review and the organisational requirement to train additional (to what was originally budgeted for) Level 2 Officers due to a high sickness rate. Whilst there was an overspend in training, this was managed by offsetting the underspend in HR and managing Peoples Services as a whole, without physically moving budgets.

- 2.2 **Resources/Treasurer:** Although the overall position is a provisional underspend of £16,000 (previously reported as £34,000 overspend), there are material variations in ITG and Estates as follows:
- 2.2.1 **ITG:** The ITG Manager has reported a provisional overspend of £97,000 (previously £141,000 overspend) of which the main components are, an error in the budget for telephony of £27,000, additional cost of £37,000 for Microsoft SQL / Server licenses resulting from IT Strategy projects (CRM, Business Intelligence system, FireWatch and Hydrants) not identified in the original business cases and a number of smaller over and underspends totalling £33,000. The variation since February has been due to delays in new services starting up e.g. Corporate Wi-Fi. Funding for ongoing pressures has been built into the 2020/21 budget.
- 2.2.2 **Estates:** The Estates Manager has reported a projected underspend of £113,000 (previously reported as £67,000). The underspend relates to over provision for the impact of the 2017 national Business Rates revaluation (£67,000) and a reduction in Building Maintenance costs (£46,000) as a result of better management of contracts and revised planning in the light of the wider capital investment in the estate.
- 2.3 **Planning and Improvement:** There is an underspend of £33,000 (previously an underspend of £20,000). This is mainly due to performance management consultancy (£30,000) and members' allowances (£3,000).
- 2.4 **Safer Communities:** The overall position is an overspend of £357,000 (previously a balanced budget). The reasons are mainly due to increased "on call" Firefighter costs within the Areas and employees covering long term sick leave. The key areas that have contributed are: £210,000 on-call Firefighters, (Pension costs £137,000, operational costs £88,000), Swift Water Rescue back pay of £46,000 and £99,000 in Community Safety where the budget manager has identified posts that may not be properly reflected in the budget and this is currently being investigated by Finance. The additional On-call Firefighter pension costs, funded through pension fund grant, are also being reviewed by Finance to ensure the grant is correctly applied.
- 2.4.1 Other cost pressures included on-call ancillary and training totaling £123,000 offset largely by the business safety underspend of £144,000 that is set to reduce as the next recruitment wave takes effect. The Operational Response Review (ORR) will ultimately lead to a re-base lining of Safer Communities (SC) whole time and on call budgets.
- 2.5 **Operational Support:** The Operation Support budget overspent by £373,000 (previously £38,000 underspent), the two key areas are Control room of £195,000 and Engineering £181,000.
- 2.5.1 **Control Room:** The overspend was primarily due to the impact of the ending of the joint service agreement leading to a marked increase in costs for the period between 17 February and 31 March 2020. The final position has only been established recently after extensive re-analysis of costs to inform the final recharge to WSCC. This included correction of payroll mis-codings that had hindered the recharging throughout the year.

2.5.2 **Engineering:** The Engineering budget overspend of £181,000, can be split into two areas of overspend:

- One off expenditure that could not have been foreseen totalled £89,000 and includes Brexit orders £25,000, front-line cover for sickness £30,000 and spring replacements on older appliances £34,000
- Ongoing pressures on vehicle maintenance and repairs of £92,000, which reflects a continuation of increased costs in excess of budget over the past three years. The Budget Holder believes that there is a capacity problem within engineering team, where there is an increased need to contract out on a more regular basis for repairs and maintenance on specialist vehicles. The issue will need to be considered when setting the 2021/22 budgets.

2.6 **Corporate:** The budget is forecasted to underspend by £213,000 (previously underspend of £89,000) and consists of the following:

2.6.1 **CFO Staff:** The budget is forecast to overspend by £9,000 (previously £14,000 overspend) mainly due to subscriptions.

2.6.2 **Treasury Management:** This budget has underspent by £165,000 (previously £132,000 underspend) due to surplus investment income.

2.6.3 **Non Delegated Costs:** These central budgets are projected to underspend by £83,000 (previously £29,000 overspend) and includes the unexpected receipt of Covid-19 grant (£136,000) and overspends as follows: ongoing Injury pensions £30,000 and one-off injury grants of £19,000. Additional funding of £15,000 for injury pensions has been included in the 2020/21 budget on the basis that eligibility reviews will also mitigate cost pressures.

2.6.4 **Corporate Contingency:** This budget is intended to provide some flexibility for SLT to manage in-year budget pressures and was set at £506,000 for 2019/20. There is a balance of £109,000, which now counts toward the overall forecast underspend.

2.6.5 **Transfer to Reserves:** The variation of £136,000 relates to the transfer of Covid-19 grant received at the end of the financial year, to finance eligible spend in 2020/21.

2.7 **Financing:** There is an overall surplus of £300,000 (previously balanced budget). Whilst Council Tax and Collection Fund surplus/deficit receipts were at budgeted levels, the Section 31 grant received increased by £1,215,000 to compensate the loss on Business Rates £914,000. Additional income from the East Sussex Business Rate Pilot of £123,000 has been transferred into earmarked reserves as previously agreed.

3. **Monitoring of Savings**

3.1 Appendix 5 summarises the savings of £413,000 achieved in 2019/20. The relevant budgets had already been reduced in preparing the 2019/20 budget.

4. **Capital Programme Commentary**

4.1 The 2019/20 revised Capital programme, agreed by the Fire Authority in February 2020, was £456,000 underspent, of which £447,000 is planned to be slipped into the

2020/21 financial year following approval. The overall Capital Programme is expected to underspend by £9,000 (previously a balanced position).

- 4.2 The variance reported since the revision of the 2019/20 Capital Programme agreed at February Fire Authority relates to both Estates and Fleet schemes and is explained in more detail in the following paragraphs. The main causes were the impact of Covid 19 and earlier than planned receipt of grant funding.
- 4.3 **Estates - Shared Investment Schemes:** The budget has underspent by £126,000 against the revised capital budget of £190,000, primarily at Preston Circus where Covid 19 has delayed planned works, and it is proposed this be slipped into 2019/20 so that the schemes can be completed.
- 4.4 **Estates - Strategic Schemes:** The budget has underspent by £226,000 against the revised capital budget of £266,000. The majority of the underspend relates to replacement fuel tanks with grant funding received earlier than planned and works delayed by Covid 19. It is proposed this be slipped into 2019/20 so that the schemes can be completed.
- 4.5 **Estates - General Schemes:** There is an overspend of £67,000 against the revised programme of £378,000, which is the result of schemes planned for 2020/21 being brought forward.
- 4.6 **Fleet & Equipment:** There is an underspend of £170,000 against the revised programme of £2,230,000. The majority of the underspend relates to BA & Ancillary equipment (RPE) due to project delays including the impact of Covid 19 and £161,000 will be slipped into 2020/21. The remaining £9,000 of this is genuine underspend relating to Aerial Rescue Pump and Fire Appliances.

5. Revenue Budget and Capital Programme Risks

- 5.1 **Covid 19:** The impact of Covid 19 on the provisional outturn has been mixed. As noted above it has resulted in additional project delays and slippage in the Capital Programme. However the impact on the 2019/20 revenue budget has not been material. A small amount of additional revenue expenditure has been funded by grant funding from Government, the balance of which, has been transferred into an earmarked reserve. There have been some delays to both revenue (IT) and capital projects (Estates and Fleet). Covid 19 will continue to impact on the Authority's finances through 2020/21 and more markedly into 2021/22 where the impact on both the Business Rate and Council Tax Collection Funds will be felt.
- 5.2 **ESFC / P21:** The ending of the joint control centre has led to an overspend in the 2019/20 revenue budget. The Authority has made provision in its revenue budget to support the running of the interim ESFC service through 2020/21 and to fund investment in the transition to a new tripartite service in September 2021.
- 5.3 **Engineering:** There is risk that overspends seen in 2019/20 will carry on into 2020/21. A joint comprehensive review of the budget and commitments is being undertaken by Engineering and Finance staff to identify and quantify these issues and propose options to manage them.

- 5.4 **Safer Communities:** This is the largest and most complex budget which has seen improvement in control over wholtime establishment and staffing costs over recent and continues to benefit from additional resilience funding.
- 5.5 **Pensions Costs:** There is continued reliance on one off grant to fund increased employer contributions for FPS as well as the uncertainty on the cost and funding of the remedy resulting from the Sargent case.
- 5.6 **Swift Water Rescue:** This risk crystalised during 2019/20 following the resolution of a challenge by the FBU regarding Additional Availability Allowances and approximately £80,000 was accrued in the 2019/20 accounts for historic liabilities. A small pressure will also impact in 2020/21.
- 5.7 These risks will continue to be monitored in 2021/21 and should they materialise the Authority will need to determine how the financial impact is to be managed. The Authority has a number of options open to it to manage budget pressures: Identification of additional savings or managed underspends, use of the Corporate Contingency and/or use of General Balances.

6. Reserves

- 6.1 The Fire Authority maintains Reserves in order to assist it in managing its specific spending plans across the financial year (Earmarked Reserves) and making provisions for the financial risks it faces (General Fund Reserves).
- 6.2 The opening balance at 1 April 2019 was £25,651,000, less actual net transfer from reserves during the year of £2,370,000 results in a provisional closing balance of £23,281,000.
- 6.3 Appendix 4 summarises the planned and actual use of reserves for 2019/20, excluding the allocation of the projected overspend of net £48,000 to General Fund Reserve. The planned transfers are as recorded in the report to P&R Panel in January 2020. Actual net drawdown from reserves was £2,370,000 compared to planned drawdown of £8,150,000, resulting in £5,780,000 less being utilised overall as shown in the table below.

	Planned Net drawdown (Out) / In	Actual Net drawdown (Out) / In	Net Variation (Out) / In
	£'000	£'000	£'000
Earmarked Reserves	(2,369)	51	2,420
General Fund		(500)	(500)
Total Revenue Reserves	(2,369)	(449)	1,920
Total Capital Reserves	(5,781)	(1,921)	3,860
Total Usable Reserves	(8,150)	(2,370)	5,780

- 6.4 The actual use of Revenue Reserves (Earmarked and General Fund) reduced by £1,920,000 in comparison to planned use, with the main reasons being as follows:

- IT Strategy £698,000 following a revised focus on SCC / P21 and delays in other projects
- ESMCP readiness £765,000 where the national programme has been delayed
- Sprinklers £250,000 where proposed projects have proven difficult to progress
- SCC reserve £902,000 as a result of decisions made regarding project funding after the budget had been set
- Receipt of Covid 19 Grant £136,000
- Use of carry forward (£193,000) towards in-year pressures
- Use of reserve to finance RPE (£192,000)
- Use of general fund reserve (£298,000) to pay for SCC project
- Use of general fund reserve (£177,000) to pay for P.O. terms and conditions

6.5 The revised capital programme and slippage has resulted in the expected drawdown of net £5,781,000 from Capital Receipts Reserve to £1,921,000, increasing the amount available at 31 March 2020 by £3,860,000.

6.6 The reduction in General Fund Reserve of £500,000 reflects the Authority's decision to support and mitigate the financial risks of the SCC project and also the impact from decisions taken by Principal Officer Appointment Panel on senior office pay and terms and conditions.

6.7 The revenue overspend of net £48,000, if approved, will be financed by general fund reserve. No carry forward requests are entertained at a divisional level.

7. Borrowing and Investment

7.1 As at the 31 March 2020, the Authority held cash balances of £24.35m which are invested in accordance with the Treasury Management Strategy. These are summarised in Appendix 6.

7.2 As at the 31 March 2020, the Authority had borrowing totalling £11,773,000 and there were no loans that matured during the financial year.