

EAST SUSSEX FIRE AND RESCUE SERVICE

Panel Meeting	Policy and Resources
Date	25 July 2019
Title of Report	Revenue Budget and Capital Programme Monitoring 2019/20
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Background Papers None

Appendices

- Appendix 1: 2019/20 Revenue Budget – Functional Analysis
- Appendix 2: 2019/20 Capital Budget Monitoring
- Appendix 3: All Years Capital Budget Monitoring (to 2023/24)
- Appendix 4: 2019/20 Reserves Projections
- Appendix 5: Monitoring of Savings 2019/20 - 2019/20
- Appendix 6: Investment as at 30 June 2019

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 issues arising from the monitoring of the 2019/20 Revenue Budget and Capital Programme as at 30 June 2019.

EXECUTIVE SUMMARY At this very early stage in the financial year with the focus on financial close and the preparation of the draft accounts this report focuses principally on the risks to the revenue and capital budgets.

The Revenue Budget is projected to be £36,000 underspent reflecting where forecasts can be made with some certainty.

The overall Capital Programme and the current year's Capital Programme, are both at this early stage, projected to be £70,000 underspent. There are a number of 2018/19 schemes that underspent, through the programme slipping, that have now been added to the 2019/20 current year schemes (£0.776m) bringing the total value of the capital budget in year to £7.457m.

The Authority maintains Earmarked and General Reserves in order to assist it in managing its spending plans across financial year (Earmarked Reserves) and making provisions for the financial risks it faces (General Reserves). A summary of the current planned use of Reserves, updated with the latest operational position, can be found at Appendix 4.

A summary of the savings, £0.413m, already taken from the 2019/20 budget, is set out in Appendix 5.

RECOMMENDATIONS

The Panel is asked to:

1. Note:

- (i) the risks to and the projected Revenue Budget underspend;
- (ii) the risks to and the projected underspend in the Capital Programme;
- (iii) the use of reserves;
- (iv) the monitoring of savings taken in 2019/20;
- (v) the current year investments; and
- (vi) the slippage in the Capital Programme

2. Approve variations to the Capital Programme by £70,000 for the provision of vehicle telemetry to be funded from underspends in the 2019/20 Fleet Capital Programme and £118,000 for vehicle cameras to be funded by Integrated Transport Function Grant.
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1. Introduction

- 1.1 This report is based upon enquiries as at 30 June 2019. The Report discloses the main risks, issues.

	This report £'000
Revenue (see paragraph 2)	(36)
Capital in year (see paragraph 4)	(70)

- 1.2 This is the first report to Policy and Resources for 2019/20 financial year and at this very early stage it is difficult to accurately forecast outturn and there may be elements both internal and external that will influence the final position, but early indications show a projected underspend of £36,000. There is a small projected underspend on the in-year Capital budget of £70,000.
- 1.3 This Report highlights risks to the 2019/20 Revenue Budget that may result in significant change to the projections. While certainty increases as the year progresses circumstances change and new risks arise and this Report considers the risks faced.

2. Revenue Budget Commentary

- 2.1 **Training & Assurance:** On target.
- 2.2 **Resources/Treasurer:** On target.
- 2.3 **Planning & Improvement:** On target.
- 2.4 **Human Resources & OD:** Both the HR and Occupational Health budget are currently under review. In Occupational Health to establish whether the existing budget is sufficient for the delivery of the services. Proposals to restructure HR are being consulted on and the changes are expected to be cost neutral. There is also an estimated £15,000 to £30,000 one-off pressure to complete data validation exercises in pensions which may not be containable within the existing budget.
- 2.5 **Safer Communities:** On target.
- 2.6 **Operational Support & Resilience:** There are pressures on the Engineering budget where necessary alterations to vehicles is putting pressure on the revenue budget. At this stage it is hoped to absorb within the existing budget and the forecast remains on target.
- 2.7 **CFO Staff:** On target.
- 2.8 **Treasury Management:** Early indications show that if investment income in 2019/20 is matching the performance achieved in 2018/19 a forecast £60,000 underspend can be prudently projected.

- 2.9 **Non Delegated Costs:** There is a projected overspend on Injury Awards and Ill Health retirement costs of £24,000. Officers will be pursuing mitigating actions including the regular review of existing awards in line with statutory guidance, as agreed as part of the budget setting process.
- 2.10 **Corporate Contingency:** This budget is intended to provide some flexibility for SLT to manage in year budget pressures and was set at £563,700 for 2018/19. For the purposes of this report the budget is assumed to be spent in full. The table below shows how the contingency has been allocated, to date, with £51,300 remaining.

Corporate Contingency 2019/20	£'000
Original Budget	563,700
Carry forward funding	150,000
Total budget	713,700
Committed	
Ops P&P SM 42 secondment 4 months	17,700
Hep B vaccinations	25,000
Fire cadet Scheme - Year 1 set up only	13,200
Additional internal audit costs 19/20	6,600
SCC	250,000
Web-ex Implementation - one off	32,900
Ship alongside training 19/20 only	20,000
Talent Link, estimated part year revenue impact	12,000
Corporate Wi-Fi, estimated part year revenue effect	18,000
Carry forwards:	
Operational Review Team	90,000
Programme Management Office	42,000
Malling Large Refurbishment	20,000
Engineering Equipment	138,000
Uniform and PPE	7,000
Total committed	692,400
Total Remaining	21,300

3. Monitoring of Savings

- 3.1 Appendix 5 shows the savings to be achieved in 2019/20. The relevant budgets have already been reduced in preparing the 2019/20 budget.

4. Capital Programme Commentary

- 4.1 The Panel are reminded this is the largest Capital Programme for some years and that the average annual spend in recent years has been £1,658,000 so delivering to plan will be challenging.
- 4.2 **Fire Appliances:** There is a forecast underspend on the purchase of fire appliances of £70,000 as costs are lower than anticipated.

- 4.3 The Panel are asked to note the slippage from 2018/19 to be added to the 2019/20 Capital Programme, see table below

Scheme	Amount to be added
	£'000
Lewes	50
Preston Circus	31
Uckfield	10
Design Guide Schemes	(20)
BA Chamber Works	6
Sussex Control Centre	37
Fire Appliances 2017/18	270
Ancillary 2018/19	60
BA & Ancillary Equipment	322
Total	766

- 4.4 The forecasting, as well as the tables in Appendix 2 and 3 include these figures from the above table.
- 4.5 It is recommended that the Capital Programme is varied for the purchase and installation of vehicle telemetry. The current fleet already has telemetry fitted which is at the end of its useful life and this variation will permit its replacement. The cost is estimated at £70,000 and will be funded from anticipated underspends in the 2019/20 Capital Programme on the 2017/18 replacement Fire appliances scheme.
- 4.6 It is recommended that the Capital Programme is varied for the purchase and installation of on board cameras and video recording systems. This is estimated to cost £118,000 and will be met in full by grant funding from the Integrated Transport Function. It has been suggested that there will be a saving of circa £20,000 per year on the Authority's insurance bill.

5. Revenue Budget and Capital Programme Risks

- 5.1 **Safer Communities:** The Safer Communities budget makes up 53% of the Service's overall revenue budget and overspent in 2018/19. It remains a risk in the current year but a number of factors should improve its management:
- the implementation of the Service Delivery Review with clarity of structure, fewer temporary posts and clearer expectations including on budget management
 - additional funding in the budget (£0.370m base and £0.240m one off for resilience crewing)
 - use of Safer Business Training Reserve to fund a number of related activities (£0.105m), (subject to detailed plans)
 - regular Resource Planning meetings involving Safer Communities, HR and Finance to manage the operational (Grey Book strength compared to establishment)

Monitoring through the Resource Planning meeting is still developing but currently indicates that actual strength is close to or marginally above the level allowed for by the budget allocated. However it is early in the year and we know that the mitigating underspend in Business Safety is unlikely to re-occur as all posts are filled. In addition the funding for the Health Co-ordinator post in Community Safety is dependent on securing grant or other external income.

5.2 **Swift Water Rescue:** The FBU has registered a local dispute claiming that an Additional Responsibility Allowance (ARA) should be paid in relation to Swift Water Rescue. This could have potential financial impacts both one off (for back pay) and ongoing and these are now being estimated. The matter has now progressed to binding arbitration and at this stage no provision is being made in the Authority's accounts.

5.3 **Sussex Control Centre:** A report was presented to the Fire Authority on 3 July 2019 setting out a way forward for the four work streams of the SCC project:

- Phase 2
- Exits Strategy
- Project 21
- SCC Operations

The cost, has been forecast as £1.8m (excluding the cost of implementing the Project 21 solution which will be the subject of a full business case to a Fire Authority meeting in the autumn). Funding will come from existing sources (£0.425m) and the balance of £1.375m from the Authority's reserves (see paragraph 6.2).

5.4 There are a number of risks and consequences resulting from this:

- General Balances will be reduced below the minimum set out in the
- Authority's Reserves Policy
- Capacity for investment in improvement and efficiency projects will be
- reduced significantly
- The Authority's financial flexibility and ability to manage risks will be reduced
- Revenue income from short term investments will reduce (£1m invested at
- 1% would provide £10,000pa) and the need for external borrowing to fund other programmes will be brought forward increasing revenue costs.
- The Business Rates Pilot Reserve is vulnerable to volatility in business rates income.

The Authority will need to consider the extent to which it intends to replace the amounts drawdown from its Reserves as part of its future financial planning, potentially, by generating additional / earlier revenue savings.

5.4 **Information Technology Group:** The ITG budget overspent by almost £0.300m in 2018/19. The pressures that drove this have been addressed through the budget setting process, but there remains that risk that as new IT services are brought on stream as part of the transformation programme this will introduce new pressures to the IT budget. Monitoring processes have been strengthened for the current year and an internal audit will be carried out in Q1 / Q2.

5.5 **Apprenticeship Levy:** From May 2019 any unutilised apprenticeship levy funding will be lost on a month by month basis. Significant effort has been expended to increase the number of apprenticeships but there is a risk that part of the £8,000 per month available will be lost until the scheme is fully embedded.

5.5 **Capital Programme Delivery:** The slippage from 2018/19 of £766,000 has been added to the previously agreed Capital Programme taking the total for 2019/20 to £7.457m. This is significantly higher than the value of actual spend in recent years during which time has seen material slippage against both original and revised capital budgets. There is therefore a risk that we could again see significant slippage if projects are not managed and monitored effectively.

6. **Reserves**

6.1 The table in Appendix 4 shows the planned use of reserves for 2019/20.

6.2 The planned transfers are as recorded in the Fire Authority meeting in February 2019 and reflect the following funding agreed for the SC Project in July 2019

	2019/20	2020/21	2021/22	Total
	£'000	£'000	£'000	£'000
SCC Reserve	175.0			175.0
Revenue Contingency	250.0			250.0
Improvement & Efficiency Reserve	500.0			500.0
General Balances	298.0	97.0		395.0
BR Pilot Reserve		480.0		480.0
Total funding	1,223.0	577.0	0.0	1,800.0

7. **Borrowing and Investment**

7.1 As at the 30 June 2019, the Authority held cash balances of £24.54m which were invested as set out in Appendix 6 in accordance with the Treasury Management Strategy.