EAST SUSSEX FIRE AND RESCUE SERVICE

Meeting	Policy & Resources Panel
Date	31 October 2019
Title of Report	Revenue Budget and Capital Programme Monitoring 2019/20
By	Duncan Savage – Assistant Director Resources/Treasurer
Lead Officer	Warren Tricker – Finance Manager

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 September 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 September 2019.

EXECUTIVE SUMMARY

At this point in the financial year, forecasts are becoming clearer but there is still some uncertainty. This report highlights the risks to the Revenue and the Capital budgets.

The Revenue Budget is forecast to be £48,000 underspent, (previously £36,000 underspent), reflecting where forecasts can be made with some certainty.

The overall Capital Programme is projected to be £179,000 underspent (previously £90,000 underspent) and the current year's Capital Programme is projected to be underspent by £2,214,000 (previously £952,000 underspent). The movement in forecast underspend relates primarily to detailed monitoring of the Property Shared Investments Schemes that are now slipping.

The Authority maintains Earmarked and General Reserves in order to assist it in managing its spending plans across the 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.

RECOMMENDATION

The Panel is asked to:

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, and

(v) the current year investments

(vi) the increase in the scheme budget for BA and Radio Equipment Scheme by £115,000 to £437,000 funded from underspends in the Fleet Capital Programme and £10,000 from Marauding Tactical Firearms Attack grant

Approve:

(vii) the variation the Capital Programme by £25,000 for improvements to the Combined Aerial Rescue Pump (CARP), and

(viii) the drawdown of up to £160,000 from General Balances to fund the in-year consequences of decisions taken by the Principal Officers Appointment Panel regarding the Principal Officer's terms and conditions review and the role and remuneration of the Treasurer.

(ix) That the capital scheme for the Animal Rescue Vehicle is increased from £200,000 to £322,000.

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1. Introduction

1.1 This report is based upon enquiries as at 30 September 2019. The Report discloses the main risks and issues.

	This report £'000	Last report £'000	Difference
Revenue (see paragraph 2)	(48)	(36)	(12)
Capital in year (see paragraph 4)	(2,214)	(952)	(1,262)

1.2 This is the third report to Members, the second to Policy & Resources, for 2019/20 financial year and there continue to be elements both internal and external that will influence the final position. Pressures on both the Finance Team and Budget Managers has resulted in monitoring focusing on areas evaluated to possess a higher level of risk.

1.3 The current forecast is for a Revenue Budget underspend of £48,000 (previously £36,000 underspent).

1.4 At £7.7m the 2019/20 Capital Programme is the largest for many years. The delivery of key schemes has been reviewed in the light of factors such as the availability of project management resources and as a result the in-year spend is now forecast to be £2,214,000 underspent (previously £952,000 underspent).

1.5 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. This Report considers the risks faced.

1.6 This report reflects the situation at 31 September 2019 and therefore does not reflect the financial implications of any decisions taken by the Fire Authority at its meeting on 25 October regarding Project 21 and the Authority's future mobilising strategy.

2. Revenue Budget Commentary

2.1 **Training & Assurance:** On target.

2.2 **Resources/Treasurer:** The overall position is a projected underspend of £11,000 (previously reported as on target)**.**

2.2.1 **ITG:** The ITG Manager has reported a projected overspend of £96,000 of which the main components are revisions to timings for the roll out of Office 365 (£50,000) and an error in the budget for telephony (£27,000). The balance being made up of smaller, mainly one-off items. Not included in this projection is the 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. Officers are currently evaluating whether this cost can be met from the IT Strategy budget in 2019/20. It will represent an additional pressure for the 2020/21 budget.

2.2.2 **Estates:** The Estates Manager has reported a projected underspend of £67,000 on Business Rates, the budget had an additional £80,000 added in 2019/20 but this has not proved to be necessary in full and represents a savings opportunity for 2020/21.

2.2.3 **Finance, Risk and Insurance:** The Finance Manager has reported a projected underspend on the Financial Services contract with Orbis of £40,000.

2.3 **Planning & Improvement:** On target.

2.4 **Human Resources & OD:** On target.

2.5 **Safer Communities:** By far the largest budget and with the biggest influence on the overall financial performance of the Service the current forecast is on target although subject to a number of risks as described in the Risks section of this report. Monitoring is currently being hampered by a high level of payroll mis-codings and un-actioned payroll changes which are being addressed by the new Payroll Manager.

2.6 **Operational Support & Resilience:** There are pressures on the Engineering budget where necessary alterations to vehicles is putting pressure on the revenue budget. Officers are confident options to contain this pressure within the existing budget can be found, including funding the improvements to the Combined Aerial Rescue Pump (CARP) from capital and the forecast remains on target. It is recommended that the alterations to the CARP (£25,000) are added as a new scheme to the capital programme.

2.7 **CFO Staff:** There is a forecast overspend of £14,000 relating to the 15% increase NFCC subscription which is being contained at present. Following decisions made by the Principal Officer Appointment Panel regarding the Principal Officer terms and conditions Review and the role and remuneration of the Treasurer there will an impact on the revenue budget in year of up to £160,000, and an ongoing pressure of approximately £60,000. It is recommended that the in-year pressure is funded by a draw down from General Balances.

2.8 **Treasury Management:** There is some uncertainty surrounding interest rates for the rest of the year, especially given the situation regarding the UK's exit from the EU. Amounts available to invest are forecast to reduce over the year as the Authority continues to invest in its IT, estate and fleet. The projections have been reviewed and it is prudent to anticipate income of £160,000 against a budget of £80,000 giving an underspend of £80,000 at this stage (previously £60,000 underspend)

2.9 **Non Delegated Costs:** There is a projected overspend on the central non Delegated budget of £29,000 (previously £24,000 overspent). The latest forecast for Ill Health retirement costs is on target however there is a projected overspend of £24,000 on Injury Awards and the balance reflects unallocated income budgets held centrally for which no income is now anticipated.

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 2019/20. 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 £6,700 remaining.

Corporate Contingency 2019/20	£
Original Budget	**563,700**
Carry forward funding	150,000
Business safety (impact of use of reserves)	50,000
Release of SCC carry forward	22,000
Total budget	**785,700**
Committed	
Ops P & P 42 secondment 10 months	44,300
Hep B Vaccinations	15,000
Fire cadet Scheme year one set up only	13,200
Additional internal audit costs 2019/20	6,600
SCC	250,000
Webex 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
Employee pressures from budget setting (net)	22,000
Additional asbestos medicals	18,000
Temporary support for Payroll	30,000
Carry forwards:	
Operational Response 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	**779,000**
Total Remaining	**6,700**

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 and as at 30 September 2019 the savings have been achieved, although the Other Operational Savings item is dependent on the outcome of the review of Offshore Maritime capability.

4. Capital Programme Commentary

4.1 The Panel is reminded that at £7.7m this is the largest Capital Programme for some years and that the average annual spend in recent years has been £1.6m so delivering to plan will be challenging. The forecast is for an in-year underspend of £2,214,000 (previously £952,000 underspend) of which £2,035,000 will slip to 2020/21 and an overall Strategy underspend of £179,000 (previously £90,000

underspent). Some underspend has been used to support additional spending on the BA & Ancillary Equipment scheme and recommended to fund enhancements to the Combined Aerial Rescue Pump (CARP).

4.2 In this Report the presentation of the Capital Programme has been changed to make it clear when schemes rely on scheme specific funding. This was always the case for some property schemes and has now been expanded to all such schemes. This means that the totals for the Programme, in appendices two and three have reduced by the value of the specific funding now included and does not change the overall planned investments.

4.3 **Shared Investments:** The Scheme Manager has advised that the shared investments schemes are slipping into 2020/21. This means that the scheme will underspend by £1,051,000, in the current year (previously on target). This position reflects a number of factors including changes in partner requirements, extensive engagement with staff and consultation with the FBU on scheme proposals and time taken to secure additional project management resources.

4.4 **Design Guide Schemes:** Problems putting in place resources to deliver the Estates Strategy have resulted in the Estates Manager forecasting this scheme will underspend by £200,000, to be slipped into 2020/21 (as previously reported).

4.5 **Replacement Fuel Tanks:** A revised business case was submitted to SLT in August and can be found elsewhere on the agenda. Appendix two will be updated once the Panel has debated the report. The total scheme cost will be £400,000 which will be offset by ITF / FTF grant funding of £270,000. This means that only £130,000 is required from the existing ESFRS scheme meaning the scheme will underspend by £90,000 (as previously reported). It is understood that since the business case for this project was approved by SLT additional drainage works costing £90,000 have been identified which will utilise the currently forecast underspend. The capital programme will be updated once the business case has been approved by Policy and Resources Panel.

4.6 **Sustainability:** The Scheme Manager has advised that this scheme can be accelerated and the spend in the 2020/21 Programme (£110,000) could be made this year (previously on target). This shows as an overspend in the in-year Capital Programme however overall the scheme is on target.

4.7 **Security:** The Scheme Manager has advised that this scheme will underspend by £42,000 (as previously reported), this amount will need to be slipped into 2020/21.

4.8 **General Schemes:** The Scheme Manager has advised that this scheme will underspend by £245,000, this amount will need to be slipped into 2020/21 (as previously reported).

4.9 **Aerial Appliances:** A number of enhancements have been made to the CARP totalling £25,000. The costs can properly be categorised as capital and in order to take the strain from the Engineering Revenue Budget it is recommended that the Capital Programme is varied by £25,000 for these improvements.

4.10 **Fire Appliances:** The Scheme Manager has advised that five of the six appliances planned for delivery this year will be delivered, with one slipping into 2020/21. The scheme forecast underspend of £400,000 (previously on target) is the result of working with supplier to achieve savings of £100,000 per appliance, the remaining appliance will be delivered in 2010/21 resulting in slippage of £300,000. The £100,000 saving is used to part fund the increase in the BA and Radio scheme.

4.11 **Ancillary Vehicles 2019/20:** The Strategic Engineering Manager is forecasting an in-year underspend of £406,000 (previously £375,000 underspend) of which £5,000 is used to part fund the increase in BA and Radios scheme. The work on replacement of various vehicles and equipment has achieved savings of £94,000, the remaining £307,000 will be slipped into 202/21. It has been identified that the actual cost of the Animal Rescue Vehicle will exceed the budget allocated. This is due to a misunderstanding between the Finance and Engineering teams in setting the budget. It is recommended that the scheme budget is increased to £322,000.

4.12 **BA & Radio Equipment (RPE Project):** Principal Officers and Strategic Authority Advisers (POSAA) has received a report on the impact of the procurement process and the market for these projects maturing and has agreed that this Scheme be varied by an increase of £115,000 taking the revised budget to £437,000. This increase will be funded by underspends in the Fleet Capital Programme highlighted in this report and £10,000 from Marauding Tactical Firearms Attack (MTFA) grant.

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 2019/20. 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 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. Overtime spend continues to be a pressure but is being actively monitored and is being contained within the flexibility provided in the Safer Communities budget overall.

5.2 **Safer Communities Wholetime pay:** There are currently a large amount of Wholetime pay miscodes, this is making it extremely difficult to accurately project Wholetime pay. The overall cost can be projected, but Departmental costs may swing as miscodes are found and corrected, Finance will be working closely with the new resources in payroll to resolve any issues. .

5.3 **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.

5.4 **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).

5.5 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 drawn down from its Reserves as part of its future financial planning, potentially, by generating additional / earlier revenue savings.

5.6 **Apprenticeship Levy:** From May 2019 any unutilised apprenticeship levy funding is lost on a month by month basis. Significant effort has been made and there has been an increase the number of apprenticeships but the Service is missing out on funding and the amount of levy lost so far this year is £29,000. The Service currently has 10 apprentices and another 25 are enrolling which will prevent any further Levy being surrendered.

6. Reserves

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

6.2 Slippage in the Capital Programme is resulting in a reduction in the planned use of Capital Receipts of £1.3m and although use of Earmarked reserves and General Fund balances are being drawn down more than planned, £2.9m against a planned £2.4m overall Useable reserves are forecast to stand at £26.9m by the end of the year, £0.5m higher than expected. However Capital Receipts can only be used to

support capital expenditure so the reduction in Earmarked reserves is reducing the Service's flexibility to fund Revenue projects.

7. Borrowing and Investment

7.1 As at the 30 September 2019, the Authority held cash balances of £27.65m which were invested as set out in Appendix 6 in accordance with the Treasury Management Strategy.