

EAST SUSSEX FIRE AND RESCUE SERVICE

Meeting	Policy and Resources
Date	16 January 2020
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
Appendix 6: Investment as at 30 November 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 November 2019.

EXECUTIVE SUMMARY At this point in the financial year, forecasts are becoming clearer but there is still some uncertainty. The reporting cycle means that this report is based on figures to the end of November 2019 but updated with any issues identified between then and publication of this report for Policy and Resources Panel. This report highlights the risks to the Revenue and the Capital budgets.

The Revenue Budget is forecast to be £173,000 underspent (previously £48,000 underspent) reflecting where forecasts can be made with some certainty.

The overall Capital Programme is projected to be £89,000 underspent (previously £179,000 underspent) and the current year's Capital Programme is projected to be underspent by £4,232,000 (previously £2,214,000 underspent) as there is further slippage in both Property and Fleet.

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 Revenue Budget and the projected underspend,
 - (ii) the risks to the Capital Programme and the projected in year and overall underspends,
 - (iii) the use of reserves,
 - (iv) the monitoring of savings taken in 2019/20, and
 - (v) the current year investments
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1. Introduction

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

	This report £'000	Last report £'000	Difference
Revenue (see paragraph 2)	(173)	(48)	(125)
Capital in year (see paragraph 4)	(4,232)	(2,214)	(2,018)

- 1.2 This is the third report to Policy and Resources and fourth to members for the 2019/20 financial year and there continue to be elements both internal and external that will influence the final position.
- 1.3 The current forecast is for a Revenue Budget underspend of £173,000 (previously £48,000 underspent) with a number of small changes across the Service.
- 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 £4,232,000 underspent (previously reported as £2,214,000).
- 1.5 This Report highlights risks to the 2019/20 Revenue Budget and Capital Programme 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.

2. Revenue Budget Commentary

- 2.1 **Training and Assurance:** The Budget manager has reported a small underspend of £35,000 (previously on target). The underspend relates to a vacancy in the Health and Safety Team and pension savings. This may be used to fund the integration of the e-learning system (i-learn) to FireWatch and the extension of an existing secondment. The T&A budget is currently absorbing the training and salary costs of the new Wholetime Firefighter recruits, when the budget can no longer absorb the projected costs there will be a call on the Firefighter Recruitment reserve.
- 2.2 **Resources/Treasurer:** The overall position is a projected overspend of £34,000 (previously reported as £11,000 underspend).
- 2.2.1 **ITG:** The ITG Manager has reported a projected overspend of £141,000 (previously £96,000 overspend) of which the main components are revisions to timings for the roll out of Office 365 of £50,000, 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, mainly one-off items, overspend of £27,000. The Microsoft SQL / Server overspend will represent an additional pressure for the 2020/21 budget. Included in the ITG budget is £760,000 of spend relating to

ITG projects, this will be funded from the ITG strategy reserve at the end of the financial year.

- 2.2.2 **Estates:** The Estates Manager has reported a projected underspend of £67,000 on Business Rates (as previously reported).
- 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 (as previously reported).
- 2.3 **Planning and Improvement:** The budget manager has reported a small underspend of £5,000 (previously on target). The underspend relates to the Cost of Democracy budget for members travel.
- 2.4 **Human Resources and Organisational Development:** The budget manager has reported an underspend of £40,000 (previously on target). The underspend relates to vacancies that cannot be filled between now and the end of the financial year. The budget manager requests to carry the underspend forward into the new financial year to cover the cost of implementing the new Behavioural Framework. The request will be determined as part of the year end process.
- 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 (as previously reported). Since the last report there have been improvements in the payroll coding and errors found are being corrected.
 - 2.5.1 In order to deliver the Service more firefighters are employed than the budget provision, in November the number was nine. However the budget provides for all grey book staff to be paid at Competent pay rates when in fact there are currently 12% on Development pay rates partially offsetting the additional pay bill, calculated at approximately £150,000 full year impact.
 - 2.5.2 An additional £240,000 was included in the 2019/20 pay budget to assist with resilience in crewing. This is being used to offset a forecast overspend in wholetime overtime.
- 2.6 **Operational Support & Resilience:** The OSR budget is projected to underspend by £38,000 (previously on target). The underspend relates to Operations Policy and Procedure budget where the budget is projected to be £30,000 underspent as a result of budgeted training that may not happen this year and a further £8,000 on the AD OSR budget, a combination of pension and equipment underspends.
- 2.7 **CFO Staff:** There is a forecast overspend of £14,000 relating to the 15% increase NFCC subscription (as previously reported).
- 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, but with a decision concerning Brexit being pushed back to 31 January 2020 there is a clearer picture up to that date. The projections have been reviewed and it is prudent to anticipate income of £205,000 against a budget of £75,000 giving an underspend

of £130,000 at this stage (previously £80,000 underspend) and a further £2,000 underspend on bank charges.

2.9 **Non Delegated Costs:** There is a projected overspend on the central non Delegated budget of £29,000 (as previously reported). The projected overspend relates to Injury pensions £24,000 and miscellaneous corporate income budgets of £5,000.

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 £26,700 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
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	759,000
Total Remaining	26,700

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. As at 30 November 2019 the savings have been achieved except for the Other Operational Savings. The

review of Offshore Maritime capability has not been completed, the saving has not been achieved but savings in other areas have offset the shortfall in 2019/20.

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 current forecast is for an in-year underspend of £4,232,000 (previously £2,214,000 underspend). Since the Estates Strategy was approved in February 2019 delays have occurred as a result of extensive time invested in engagement with staff groups, the need to recruit additional project management capacity (now in place) and changes of partner requirements which have necessitated revisions to scheme designs. As a result of this experience the Estates Capital Schemes are being re-profiled as part of the review of the capital programme for 2020/21 onwards.
- 4.2 **Shared Investments:** The Scheme Manager has advised that the shared investments schemes are slipping into 2020/21. This means that the schemes are forecast to underspend by £1,321,000 in the current financial year (previously £1,051,000 underspent).
- 4.3 **Replacement Fuel Tanks:** The Scheme Manager has advised that following the adjustment to the budget at the last Policy and Resources Panel, the scheme is forecast to overspend by £90,000 in the current year, (previously £90,000 underspend). The in-year overspend reflects slippage in the programme of works of £180,000 and partner contribution of £270,000 which will not be received until 2020/21. Overall the scheme is forecast to be on target. Sussex Police have agreed in principle to contribute an additional £60,000 to the cost of the scheme and this will be reflected in monitoring once formal agreement is given.
- 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 £677,000 and slipped into 2020/21 (previously £200,000 underspend).
- 4.5 **Sustainability:** The Scheme Manager has advised that this scheme will underspend by £160,000 (previously £110,000 overspent). It was previously reported that the scheme could have been accelerated and would overspend by £110,000 in the current year and be on target overall however pressures to deliver property schemes overall mean this is no longer the case.
- 4.6 **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.
- 4.7 **General Schemes:** The Scheme Manager has advised that this scheme will underspend by £418,000, this amount will need to be slipped into 2020/21 (previously reported as £245,000 underspend).
- 4.8 **Aerial Appliances:** The Scheme, following Policy and Resources approval, has been increased to £725,000 reflecting the introduction of the additional works to the Aerial Rescue Pump (ARP) and is on target overall. The Scheme Manager has

reported that the ARP improvements have been delivered this financial year and that first two stages relating to the Aerial Ladder Platform will be delivered, there will be a £200,000 in year underspend that will need to be slipped (previously reported as on target).

- 4.9 **Fire Appliances:** The Scheme Manager has advised that three of the six appliances planned for delivery this year will be delivered and the other three in 2020/21, resulting in an in year underspend of £673,000 (previously £300,000 underspend) which will slip into 2020/21.
- 4.10 **Ancillary Vehicles 2019/20:** The Scheme Manager is forecasting an in-year underspend of £689,000 (previously £406,000 in year underspend) with overall savings of £89,000 (as previously reported):
- The Animal Rescue Vehicle will have stage payments one and two made in 2019/20 totalling £215,000 and slippage of £107,000 into 2020/21.
 - The General Purpose truck will be delivered in year with an underspend of £60,000.
 - Of the four Land Rover replacement vehicles due to be replaced in 2019/20 one is expected to be delivered in 2019/20 and once this vehicle has been evaluated in service the remainder will be delivered in 2020/21 resulting in an underspend of £300,000 slipped into 2020/21.
 - The Operational Support Unit will not be delivered in 2019/20 and of the underspend of £200,000 there is a £22,000 saving and £178,000 will be slipped into 2020/21.
 - Motorcycle and Motorcycle Trailer will slip into 2020/21 or beyond with an underspend of £15,000.
 - The forklift truck was delivered under budget by £7,000.
- 4.11 **Cars and Vans:** The Scheme Manager has advised that there will be an underspend of £72,000 (previously on target) which will slip into 2020/21. This relates to two Principal Officer cars that will not be delivered this financial year and a small overspend £1,000 on the replacement Small Vehicle.
- 4.12 **Telemetry:** The Scheme Manager has advised that further analysis is being carried out to ensure that the proposed solution provided through the ITF project meets the Service's needs. As a result this Scheme will underspend by £70,000 (previously on target) and slip into 2020/21.
- 4.13 **Vehicle Cameras:** The Scheme Manager has advised that this Scheme will underspend by £118,000 (previously on target) and will slip into 2020/21 however the Grant funding will also slip so although overall the Scheme appears on target it is slipping into 2020/21. The cameras and the telemetry projects are inter linked.
- 4.14 **BA & Radio Equipment (RPE Project):** Following confirmation of additional funding the AD OSR is forecasting that this Scheme is on target (previously £10,000 overspend).

5. **Revenue Budget and Capital Programme Risks**

5.1 **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 a decision in favour of the FBU. Further work is being carried out to assess the potential financial impact.

5.2 **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 January 2020). Funding will come from existing sources (£0.425m) and the balance of £1.375m from the Authority's reserves.

5.3 In addition the operational cost of SCC up to the point the joint service ceased may exceed the East Sussex budget provision. The budget is monitored by the SCC Governance Board regularly but the final position will not be known until that point but current forecasts suggest a pressure of circa £20,000.

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

5.5 **Apprenticeship Levy:** From May 2019 any unutilised apprenticeship levy funding is lost on a month by month basis. To 30 November 2019 £40,847.81 has been lost however the rate of loss has fallen from almost of £8,000 in June 2019 to only £659.86 in November 2019 as significant effort has been made to increase the number of apprenticeships.

5.6 **Working with Budget Managers:** There are a number of areas of the revenue budget where Budget Managers and the Finance Team continue to work on commitments and forecasting spend. Particularly in Estates and in Engineering where ordinarily this work would be more advanced but events earlier in the financial

year and ongoing pressures mean there is still work to do. In relation to Engineering, analysis of in year pressures relating to vehicle repairs and maintenance is underway and is likely to result in an overspend being reported in future reports.

6. Reserves

- 6.1 The table in Appendix 4 shows the planned use of reserves for 2019/20.
- 6.2 Overall Useable reserves are forecast to stand at £19.8m by the end of the year, £2.3m higher than expected. Earmarked reserves and General Fund balances are being drawn down more than planned, £3.5m against a planned £2.4m mainly IT Strategy, Improvement and Efficiency and RPE and communications (no planned draw down as it was expected to be used in 2018/19). Against this slippage in the Capital Programme is resulting in a reduction in the planned use of Capital Receipts of £3.4m 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 November 2019, the Authority held cash balances of £27.52m which were invested as set out in Appendix 6 in accordance with the Treasury Management Strategy.