

MEETING: 10th JUNE 2019

**REVENUE BUDGET OUTTURN 2018/2019 AND REVENUE BUDGET FIRST
QUARTERLY REVIEW 2019/2020**

**JOINT REPORT OF THE CHIEF FIRE OFFICER/CHIEF EXECUTIVE (THE CLERK
TO THE AUTHORITY) AND THE STRATEGIC FINANCE MANAGER**

1. INTRODUCTION

- 1.1 The Authority's Statement of Accounts for 2018/2019 was presented to Governance Committee on 31st May 2019 in line with the statutory deadline for information and challenge as appropriate. The audited accounts will be presented to the Authority's Governance Committee on 29th July 2019 as the accounts must be approved before 31st July 2019 in accordance with the regulations.
- 1.2 As the Statement of Accounts have already been drafted, subject to audit, the reported outturn as set out in this report, reflects the final position for the 2018/2019 financial year. This is a clear benefit of the early closing of the accounts process.

2. REVENUE OUTTURN 2018/2019

- 2.1 A summarised Revenue Budget Outturn position is shown at Appendix A for information.

Outturn Position Review and summary

- 2.2 The Third Review, reported to Members in January 2019, identified a projected net underspend of £0.877 million. The Revenue Budget Outturn for 2018/2019 position is very positive, however, as the underspend has improved and increased by a further £0.804 million after year end accounting issues have been completed, which means that the net underspend for the year is now £1.681 million. Although the main variations are set out in paragraph 2.6 below for members information with Appendix A summarising the position, it is important for members to understand the positive drive the Authority has made during this financial year to achieve these level of savings, with a number of significant initiatives.

- 2.3 Improved financial management throughout the Authority, with increased financial awareness and tighter budgetary control has achieved savings of £0.225m across the full service. I would like to thank Budget holders across the service for their efforts in continuing to identify and release revenue savings in year, which shows that financial awareness and strong budgetary control arrangements are embedded throughout the Authority.

Insurance services provided by the Lead Authority have been reviewed and a new approach has been adopted by Sunderland whereby all policies are separately tendered to ensure best value. This has led to a significant year end saving on premiums of £0.154m for the Authority across all types of insurance with the exception of premises. The Authority continues to review all aspects of its budget to achieve budget savings wherever possible.

Members made the very difficult decision to ride 4 on all appliances in December 2017, and adopted a phased approach to implementation. This was completed in June 2018 and achieved in year budget savings in line with expectations. The new response model is operating well with no reported near misses, and supports the evidence led approach adopted. This measure, however, has additionally had a positive impact on helping to reduce overtime during this period, which has contributed towards the increased underspend. Management, as trailed in the previous report, has also brought in new measures to proactively reduce the level of overtime such as swap a shift (optimum staffing pilot), balancing leave groups, and establishing a temporary operational resource planner post within the staffing team. Members will also be aware of the completion in February of the recent trainee course. The 23 trainees are now operational on fire stations and have contributed to the reduction in requirements for overtime. The combination of these factors has meant that overtime has been reduced significantly during the last quarter of the financial year.

All aspects of the Authority's finances have now been reviewed and a more commercially based approach to income generation has been carefully and sensibly applied where appropriate to ensure Best Value is achieved for the Authority. Increases in income above budget during the year help to show this is continuing starting to bear fruit and income generation is expected to increase in future years as a result of this new impetus. This direction of travel has been reflected in the 2019/20 Revenue Budget.

A review of the property portfolio by Finance and Estates has also identified a number of surplus assets which are being actively progressed with a view to either generating a much needed capital receipt or where appropriate a sustainable income stream to the Authority. Some of these disposals are nearing completion with reports having been submitted to Fire Authority while others will be subject to a separate report to a future Authority meeting to provide more details, but revenue budget savings have also been identified as a result.

These brief summaries help to show members that all areas of the budget are continually being challenged and proactively managed to ensure the Authority achieves Best Value from its limited resources.

Main Revenue Budget Variations (Subjective Analysis)

2.4 The main variations are detailed below for information subjectively. Where relevant, this includes a brief assessment of any impact that may fall into the 2019/2020 financial year.

- Employee costs (£1.472m net underspend) – As reported at third review, savings have been made from a significantly greater number of operational staff retirements than anticipated resulting in a net reduction in salaries and oncosts after taking into account the additional 23 new Firefighters. Along with this, employer pension costs have reduced, due to the impact of temporary staffing arrangements, transitional movements between pension schemes, and employees opting out of the pension scheme. These savings have helped to absorb overtime costs during the year which, although reduced from 2017/2018 by around £220k, have continued to be a feature of this year's budget. In addition there have been savings against training costs and Employee Insurance budgets.
- Premises (£12k net overspend) – As reported during the year, utility costs have been higher than estimated and the rates increased from phased rate revaluations impacting in 2018/2019, as well as a small increase in premises insurance costs.
- Transport (£118k underspend) – During the year, savings have been made on transport costs from revised travel arrangements across the service and vehicle insurances. An overspend on fuel has been met by savings elsewhere in the revenue budget and allowances for price fluctuations have been made when setting the budget for 2019/2020.
- Supplies and Services (£212k underspend) – continued prudent spend as highlighted in 2.3 above has resulted in savings across the supplies and services budgets. Subsistence costs continue to reduce following the implementation of revised policies and practices. An overspend on equipment maintenance and repair has been met by savings elsewhere in the revenue budget.
- Contingencies (£734k underspend) – some budget set for potential costs identified when the budget was established for 2018/2019 have not been required during the year. This is in part due to the operational service delivery actions, the successful completion of the IRMP action

of riding four on all appliances, and the recruitment of the 23 new firefighters reducing the call on overtime costs. Other re-evaluations of budget requirements have also made savings as part of the mid-year review of the revenue budget. This is to become an annual exercise.

- Support Services and Recharges (£27k underspend) – savings arising from changes made to the Service Level Agreement with the Lead Authority after the budget had been set.
- Income (£291k overachieved) – the year end position shows an increase in total income received, largely due to:
 - Increased income from Primary Authority Scheme and COMAH activity of £30k
 - Additional Rental Income of £34k
 - Additional Income for the Princes Trust programme arising from improved recruitment and retention of £145k
 - Additional one-off income for the sale of vehicles and equipment of £34k
 - ESMCP Transitional funding of £86k received late in the financial year
 - Reduction in the value of sales to NFRS in relation to the SLA of £11k
 - Reduction in course / conference income of £25k
 - Other minor reductions in income of £2k
- Interest Received (£86k over budget) – increases to cash flow levels has resulted in more interest received on the Authority's cash working balances during the year.
- Capital Financing (£504k under budget) – savings have been made on debt charges and reflects the lower debt charge interest applied during the year. In addition lower MRP charges and use of revenue to finance the capital programme have impacted favourably.
- Reserves and Provisions Appropriations (£1.751m decrease) – underspends against budget have reduced the need to draw from Reserves in year, along with agreed appropriations into the Revenue Budget Carry Forward Reserve for known future requirements. Adjustments have also been made to reflect the IFRS Employee Benefit accounting entry and adjustments to the Collection Fund balance required for 2018/19.

Earmarked Reserves

2.5 Earmarked reserves are funds that are set aside to meet costs for specific

purposes in future financial years. Such reserves ensure that the Authority can adopt and operate a more flexible approach to budget management and meet cost pressures of committed and known future service costs. A statement showing the movement on earmarked reserves in 2018/2019 is provided at Appendix B for information at this stage.

The detail in Appendix B has been categorised as follows:

Reserves to prevent an increase in revenue budgets (£18.689m); and
Reserves to support service delivery requirements (£5.619m).

This analysis helps to further confirm that all reserves are not only fully earmarked for specific purposes but that the bulk of the reserves (£18.689m or 76.88%) are being held to mitigate against known future costs that the revenue budget would otherwise have to accommodate, for example, insurance, PFI, reform and transformational costs etc.

2.6 It is proposed, subject to members approval, to allocate the surplus funds totalling £1.681m as follows:

- a) Transfer £1.000 million to the Capital Developments Reserve to help future proof the reserve and the known additional capital works that are scheduled for future years. This will also help to delay the need to borrow to fund the Capital Programme.
- b) Transfer £0.500 million to the Resilience Reserve for contingency arrangements to ensure continued service delivery; and
- c) Transfer £0.181 million to the Transformation and Reform Reserve to temporarily fund the budget gap over the medium term while longer term IRMP changes are being made.

3. GENERAL BALANCES

3.1 The balance of the general fund as at 31st March 2019 is expected to remain at £3.943 million on the basis that this is viewed as an appropriate level of General Fund Balance for the size and risks faced by the Authority.

4. REVENUE BUDGET 2019/2020

4.1 Regular monitoring of the budget continues to take place and the full impact of the 2018/2019 revenue budget outturn, alongside current spending against budgets will continue to be evaluated during the early part of 2019/2020.

4.2 Members will recall that at the Fire Authority meeting on 18th February the IRMP action to dynamically adjust the distribution and availability of appliances based on risk and demand was approved for implementation by

the Chief Fire Officer. This action was implemented with effect from 2nd April 2019, resulting in a saving of £746,000 against the 2019/20 revenue budget, reducing the requirement to use Reserves to fund the budget gap in 2019/20 to £0.96 million.

- 4.3 There are no further issues to raise at this early stage in the reporting cycle for 2019/2020.

5. RISK MANAGEMENT

- 5.1 A risk assessment has been undertaken to ensure that the risk to the Authority has been minimised as far as practicable. The assessment has considered an appropriate balance between risk and control, the realisation of efficiencies, the most appropriate use of limited resources and a comprehensive evaluation of the benefits. The risk to the authority has been assessed as low utilising the standard risk matrix based on control measures being in place.

6. FINANCIAL IMPLICATIONS

- 6.1 The financial implications are set out in Appendix A of the report.

7. EQUALITY AND FAIRNESS IMPLICATIONS

- 7.1 There are no equality and fairness implications in respect of this report.

8. HEALTH AND SAFETY IMPLICATIONS

- 8.1 There are no health and safety implications in respect of this report.

9. RECOMMENDATIONS

- 9.1 The Authority is recommended to:
- note the Revenue Budget Outturn position for 2018/2019, set out at paragraphs 2.2 to 2.6;
 - note the position with regard to the Revenue Budget for 2019/2020 detailed at section 4;
 - note the General Fund position detailed at paragraph 3.1; and
 - approve the proposed transfers to reserves as set out in paragraph 2.6