

MEETING: 5th NOVEMBER 2018

SUBJECT: REVENUE BUDGET 2018/2019 – SECOND QUARTERLY REVIEW

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

1. INTRODUCTION

- 1.1 This report advises Members of issues relating to the 2018/2019 Revenue Budget position at the half way point of the financial year.

2. BUDGETARY CONTROL REPORT 2018/2019

- 2.1 Regular monitoring of the Revenue Budget takes place and, at this stage, variances have been identified which produce a projected underspend of £0.749m.
- 2.2 The Revenue Budget was balanced with a proposed temporary drawdown from the Reform and Transformation Reserve of £0.694m. If the projected underspend is maintained until the end of the financial year and the budget can be managed within existing resources, use of the reserve will no longer be required.
- 2.3 A summary of the position is set out at Appendix A which shows the projected costs compared to both the revised and original budget positions for the main budget headings.

Employee Costs

- 2.4 At this stage in the financial year there is a projected net underspend on the overall employees budget of £0.738m. There has been a significantly greater number of retirements in the first half of the financial year than anticipated, despite revised assessments of the position, resulting in a net reduction in expenditure on salaries and oncosts. Along with this, savings are being made on employer pension costs, arising from the impact of temporary staffing arrangements, transitional movements between pension schemes, and employees opting out of the pension scheme.
- 2.5 Overtime costs, although reduced as a result of actions instigated during 2017/2018, continue to be a significant budget pressure. The savings in salaries and pensions are currently absorbing the increased costs and overtime continues to be very closely monitored, with actions considered and taken as appropriate.

- 2.6 Traditionally, the employees budget has been set to include a contingency for those firefighters opting out of the pension scheme, but it is now considered more prudent to acknowledge that a number of firefighters continue to opt out of the pension scheme year on year. The service is currently aware of a significant budget issue emerging from the triennial valuation of the firefighter's pension scheme which will affect employers pension contributions in 2019/2020. Although £0.482m has already been built in to the current Medium Term Financial Strategy, recent indications suggest costs may be in the region of £2.6m. As such, it is prudent to transfer part of the underspent pension budget to an earmarked reserve to contribute towards the funding of this potential budget pressure and to mitigate the additional cost should firefighters return to the pension scheme, which they can elect to do.

Premises

- 2.7 An overspend of £19,000 is projected on premises costs, mainly due to higher than estimated utility costs and an increase in rates, with phased rates revaluations impacting in 2018/2019.

Transport

- 2.8 The transport budget is expected to underspend by £24,000, generally due to revised travel arrangements resulting in reduced travelling expenses and car mileage claims.

Supplies and Services

- 2.9 A small underspend of £5,000 is projected across supplies and services. This is largely a result of lower subsistence costs from revised policies and practices introduced last financial year. This is reduced by a projected overspend on equipment maintenance and repair should current trends continue.

Contingencies

- 2.10 The contingencies budget continues to be monitored and reviewed for any savings that can be made.

3. STATEMENT OF BALANCES

- 3.1 The general fund balance of £3.943m is within reasonable and agreed tolerances.

4. RISK MANAGEMENT

- 4.1 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.

5. FINANCIAL IMPLICATIONS

- 5.1 The financial implications are set out in Appendix 1 of the report.

6. EQUALITY AND FAIRNESS IMPLICATIONS

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

7. HEALTH AND SAFETY IMPLICATIONS

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

8. RECOMMENDATION

- 8.1 Members are requested to note the position with regard to the Revenue Budget for 2018/2019 as set out in this report and summarised at Appendix A.

