

Report of the Treasurer

Interim Financial Out-turn 2019/20

Introduction and Summary

This report is an interim view on where the Revenue and Capital Budgets stand for 2019/20. It compares the position to the position as last reported to the Fire Authority (which because of the timings of meetings was in December 2019). It is an interim report because the Accounts Closure process is underway and there is a balance between using resources to provide a slightly more accurate estimate, or to produce the accurate figures to report to the Authority in a few weeks' time. The final out-turn figure, although even then still provisional until the External Audit is complete, will be reported to the Fire Authority in June.

Background

1. This report is an interim view on the out-turn position with Revenue and Capital Budgets. At this stage the accounts closure process is underway and therefore the report at present contains some assumptions about out-turn which will be firmed up in the next week or so, but after publication of this report.
2. A final out-turn position, although still technically only provisional until the external audit is complete, would normally be presented to the Fire Authority in June.
3. In the absence of a suitably timed meeting, the last budget monitoring report was a Quarter 2 review given to the Fire Authority in December 2019.

Revenue Budget 2019/20

4. Details of the revenue budget are set out in Appendix 1 and show that, following the Quarter 2 review, expenditure was expected to be £34.570m (*Row 40, Column 6*) with a net transfer from balances, to support the revenue budget as planned of £0.291m (*Row 66, Column 6*).
5. Members will recall that the budget was originally set with estimated contribution rates for the Firefighters' Pension Schemes, and that at Quarter 1 these were adjusted for the potential impact of the actual rates. Experience has shown that this adjustment was incorrect, and within the overall total, and adjustment has been made in Column 5 of the Appendix.

6. Against the £34.570m budget it is anticipated that £34.537m (*Row 40, Column 7*) will have been incurred, a net underspend of £0.033m. In addition the Authority is now expecting to receive an additional £0.186m in grants (*Row 55, Column 8*).
7. Both of these factors have an impact on the draw on reserves, with some of it being directly inter-related and, where relevant, these are referred to in the explanations below.
8. The reasons for the key variations shown in Appendix 1 and summarised above are given below:
 - a. Whole-time Pay/Secondment income **£0.121m under** – largely due to the timing of the ending of the Day Crew Plus (DCP) arrangement. For budget purposes it was estimated that the temporary costs of pay would have occurred in 2019/20, but will now be from April 2020. It is suggested that this underspend is used to fund the costs as they occur in 2020/21.
 - b. On-call(RDS) Pay **£0.054m over** – just over 1% of budget and reflects increased activity levels this year
 - c. Pension costs **£0.140m over** – relates to additional underpayment of back-dated injury pensions (pensions must be reduced where certain benefits are received, a small number of pensioners have been identified where benefit has ceased but they had failed to notify the Authority for reduced pension to be re-instated).
 - d. Training **£0.058m under** – impact of delays in reaching agreement on crewing changes earlier in the year.
 - e. Ops Logistics **£0.046m over** – some redirection of underspends elsewhere in preparation for Covid-19 restrictions.
 - f. Fleet **£0.029m over** – changes to law regarding permitted age of commercial vehicle tyres required earlier replacement than budgeted.
 - g. Property **£0.072m under** – largely (£0.077m) as a result of delays to the planned maintenance programme and a consequential reduction in the transfer from the Property Reserve.
 - h. PPL charges (net) **£0.047m over** – arises from inability to capitalise project costs as planned as programme delays, particularly in relation to Hereford Fire Station replacement, have not yet created an asset against which costs can be capitalised. It should be stressed that this is not an increase in overall costs from PPL
 - i. ICT - **£0.120m over** – need to rapidly increase capacity for home-working both in terms of hardware and infrastructure capacity.
 - j. Human Resources **£0.059m under** - largely around development training budget and for same reasons as (d) above.
 - k. Legal Services – of which **£0.032m over** relates to the Authority's Judicial Reviews
 - l. Insurances **£0.073m over** – of which £0.077m relates to insurance excess on a claim. The Authority holds an Insurance Reserve for this purpose, but this will use 60% of that reserve and it would be prudent to make up that reduction by an equivalent transfer back to the reserve.

- m. Finance (FRS) £0.099m under – represents three sources of additional income:
 - i. Primary Authority Scheme £0.010m
 - ii. Office of the Police & Crime Commissioner (PCC) support for “Dying to Drive” campaign £0.010m
 - iii. High Volume Pump (HVP) deployment to Derbyshire FRS £0.048m
 - iv. The balance being Service wide savings on travel & subsistence costs
 - n. Alliance Costs £0.154m under - the Authority set aside a £0.200m, one-off budget for the Alliance programme with Shropshire & Wrekin Fire Authority. However, the programme and associated shared costs will be spread over several years. It is suggested that the underspend is transferred to an Alliance Reserve to meet the agreed costs in future years as they occur.
- 9. As stated at paragraph 6 (above) the net effect of these and minor variations is an under-spend of £0.033m or less than 0.1% of the budget. However, it must be emphasised that these figures are currently a best estimate and may change as the final reconciliation process is undertaken as part of the Accounts Closure process.
- 10. In addition to this small variation in expenditure there is a more significant variation in funding which is detailed below:
 - a. £0.016m Fire Revenue Grant – Firelink – higher than expected but without explanation, the confirmed 2020/21 figure is back at the budget level.
 - b. £0.088m redistributed regionally allocated Emergency Service Mobile Communications Project (ESMCP) grant.
 - c. £0.008m – Ministry of Housing, Communities & Local (MHCLG) Transparency Grant - towards costs of publishing information for public – omitted from budget in error.
 - d. £0.024m – OPCC funding of “Making our Roads Safer for Everyone” (MORSE) road safety programme.
 - e. £0.027m – Reconciliation Grant and
 - f. £0.019m – Levy Account Surplus, both arising from the MHCLG Retained Business Rate system and, as such, were unpredictable.
- 11. Taken together with the minor variations, this is a net £0.186m more funding income than was expected at Quarter 2.
- 12. The net impact of the Expenditure and Funding variations is a reduction in the draw on reserves of £0.220m (*Row 56, Column 8*), and after allowing for the reserve adjustments arising directly from expenditure variations explained above, in real terms leaves an unplanned increase in reserves of £0.154m.
- 13. It is proposed that this £0.154m (*Row 59, Column 8*) be transferred to a reserve to meet the one-off costs of pay protection following the ending of the DCP system as referred to at paragraph (8)(a) above.

Capital Budget 2019/20

14. Details of the approved capital budget are set out in Appendix 2, and are summarised in the table below.

	Major Build Schemes £m	Vehicle Prog £m	Major Equip Schemes £m	Allocated Minor Schemes £m	Other £m	Total £m
Revised Budget Qtr. 2	13.696	6.536	2.627	2.237		25.096
Major Schemes Provision					12.141	12.141
Unalloc. Minor Schemes					0.301	0.301
Revised Budget Qtr. 2	13.696	6.536	2.627	2.237	12.442	37.538
Minor Scheme Allocation				0.301	(0.301)	0.000
Funded by ESMCP Grant				0.012		0.012
Revised Budget	13.696	6.536	2.627	2.550	12.141	37.550
Expenditure to 2018/19	8.915	2.537	2.046	0.873		14.371
Expenditure 2019/20	4.225	1.790	0.272	0.342	0.027	6.656
Remaining Budget C/fwd.	0.556	2.209	0.309	1.335	12.114	16.523

15. As Members will be aware, part of the costs of the Wyre Forest Hub, the High Volume Pump (HVP), accommodation and the mobile data terminals (MDTs) on appliances are to be funded from earmarked reserves.
16. The table below gives a summary of the expected use of balances after Quarter 2 and the position at the interim out-turn:

	Qtr. 2 Forecast £m	Interim Out-turn £m
Property Reserve	(0.192)	(0.115)
Pension Reserve	(0.130)	(0.260)
Broadway FS Reserve	0.250	0.250
July 2017 Pay Reserve	0.285	0.285
Prevention Reserve	0.250	0.242
New Dimensions Reserve (Wyre Forest)	(0.381)	(0.381)
Equipment Reserve (MDTs)	(0.318)	(0.261)
Alliance Reserve	0.000	(0.154)
DCP Change Reserve	0.000	0.127
Budget Reduction Reserve	(0.454)	(0.454)
General Balances	(0.300)	(0.300)
	(0.990)	(1.021)

Conclusion

17. Due to the timing of this report the position is by nature an interim one. To spend time trying to produce a more accurate forecast would divert resources from producing the actual out-turn figures to meet the Final Accounts deadlines, and would not achieve any better purpose.
18. Allowing for the variation in timing of expenditure and the need to incur expenditure right at the end of the year to prepare for Covid-19, the out-turn position is broadly where it was expected to be at Quarter 2 and reported to the Fire Authority in December 2019.