EAST SUSSEX FIRE AND RESCUE SERVICE

Meeting	Policy and Resources Panel
Date	29 April 2021
Title of Report	Revenue and Capital Budget 2020/21 and Capital Programme 2020/21 to 2024/25 Monitoring at Month 11 (end February).
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Lead Officer	Parmjeet Jassal, Interim Finance Manager

Background Papers

High Level Review of Revenue Budget 2020/21 and Capital Programme 2020/21 to 2024/25

Fire Authority Service Planning processes for 2021/22 and beyond – Revenue Budget 2021/22 and Capital Asset Strategy 2021/22 to 2025/26

Revenue and Capital Budget 2020/21 and Capital Programme 2020/21 to 2024/25 Monitoring at Month 8 (end November)

Appendices

Appendix 1: Revenue Budget 2020/21 Objective
Appendix 2: Savings Programme 2020/21 to 2024/25
Appendix 3: Capital Programme 2020/21 to 2024/25
Appendix 4: Capital Budget 2020/21
Appendix 5: Engineering Capital Budget 2020/21
Appendix 6: Reserves 2020/21

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 the findings of the Month 11 monitoring undertaken on the Revenue and Capital Budget 2020/21 and Capital Programme 2020/21 to 2024/25.

EXECUTIVE SUMMARY

This is the fifth report to Members for the 2020/21 financial year and highlights the findings from the Month 11 monitoring undertaken on the Revenue Budget 2020/21 and 5 year Capital Programme, approved by the Authority in February 2020 and the revised Capital Budget approved February 2021.

A net Revenue underspend to the sum of £290,000 has been identified as summarised in Appendix 1. This is an adverse variation of £206,000 from the position identified in the last report to Policy and Resources Panel on 21 January 2021 of £496,000 underspend. This primarily reflects the Authority's decision to use £496,000 of the underspend to fund additional investment in the CRM project which has now been transferred into the IT Strategy Reserve (along with the transfer of £450,000 from other reserves). This has been offset in part by the identification of additional underspends and the successful bid for £129,000 of additional Covid-19 grant funding. Most in-year pressures have been dealt with either through the use of contingency or service underspends. Ongoing pressure impacts were considered alongside other priorities, and where relevant, built into the budget 2021/22+ and approved by CFA in February 2021.

Performance against the Savings Programme is summarised in Appendix 2 and detailed in section 4.

Revenue and Capital programme risks are detailed in section 3, focusing specifically on areas that could result in significant additional pressures in future financial years. These include the continuing impact of Covid-19 on both the Business Rate and Council Tax Collection Funds, pressures in Resources relating to Finance, Pensions and IT projects.

The overall 5 year Capital Programme 2020/21 to 2024/25 was revised to £22,647,000, at the meeting of the Combined Fire Authority held on 11 February 2021. This is forecasted to come in on budget as detailed in Appendix 3. The Capital Programme will be updated in light of the actual outturn 2020/21 and outstanding adjustments relating to IRMP.

The current year Capital Budget was also revised by CFA to £2,295,000. A review of Capital projects has resulted in forecasted expenditure of £2,032,000 resulting in a net variation of £263,000 of which £338,000 is slippage and a net £76,000 in year overspend mainly on Estates design guide schemes (this will be contained within the agreed 5 year capital programme). Detailed information is contained within section 7 and summarised in Appendix 4. The Fleet and Equipment Capital Projects 2020/21 are detailed in Appendix 5.

The updated position on reserves shows an opening balance of £23,233,000 including an adjustment of £48,000 to fund the provisional outturn 2019/20. The forecast net drawdown is £3,380,000 a reduction of £8,751,000 compared to the planned net drawdown of £12,131,000. This results in an estimated closing balance of £19,853,000 as detailed in section 8 and summarised in Appendix 6. Work is in progress to finalise the drawdown of reserves for the 2020/21 year including on Revenue and Capital projects.

There is a reduction in the interest receivable on the Authority's cash investments of £22,600,000 due to the Bank of England lowering its' base rates to invigorate the economy due to the impact of Covid-19. However, Interest receivable on the Authority's cash investments on £22,600,000 is confirmed at £107,000, resulting in a surplus of £32,000 when compared to the budget. This is lower than in previous years as a result of the Bank of England lowering its' base rates to invigorate the economy due to the impact of Covid-19. Interest payments on fixed rate loans of £10,773,000 are unaffected. One loan of £75,000 will mature this year for which repayment arrangements are in hand, as detailed in Section 9.

RECOMMENDATION The Policy and Resources Panel is recommended to note:

(i) the risks to Revenue Budget and the projected underspend;

(ii) the risks to the Capital Programme and the projected in year slippage and overspend;

(iii) the reduced net forecast drawdown from reserves;

(iv) the monitoring of savings taken in 2020/21 including those savings at risk, and

(v) the current year investments and borrowing; and

(vi) that following the Authority's decision to allocate additional funding of £1,094,000 to CRM project, £946,000 (£496,000 underspend, £450,000 reserves) is reflected in this report.

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1 INTRODUCTION

1.1 The Original Revenue Budget 2020/21 and Capital Strategy 2020/21 to 2024/25 was approved at the meeting of the Fire Authority on 13 February 2020. Revisions have taken place, as approved at subsequent Fire Authority meetings including at the latest one held on 11 February 2021.

1.2 This is the fifth report to Members for the 2020/21 financial year, and highlights the findings from Month 11 monitoring undertaken on the Revenue and the Revised Capital Budget 2020/21 and Capital Programme 2020/21 to 2024/25. It should be noted the review is based on currently available information and the result may change as new information emerges during the year.

	This P&R Period 11) **£'000**	**Last P&R (Period 8)** **£'000**	**Movement** **£'000**
Revenue (see section 2)	(290)	(496)	206
Capital in year (see section 7)	(263)	(3,687)	*3,424

*following revision of capital budget 2020/21 approved by CFA February 2021

1.3 The Revenue Budget, approved by the Fire Authority in February was a net expenditure requirement of £39,737,000. This has increased by £1,309,000 to £41,046,000 taking into account the recently notified business rates deficits by the Districts and Boroughs (lower than previously estimated by LG futures at £1,415,000). These will be compensated for by additional Section 31 grant for Business Rate Reliefs, bringing the total surplus to £1,309,000, which will be transferred to the S31 Business Rate Retention Relief reserve to finance related Collection Fund Deficits in 2021/22.

1.4 A net revenue underspend to the sum of £290,000 has been identified. This is an adverse variation of £206,000 to that previously reported (£496,000 underspend). The net underspend is reflected in the Revenue Budget 2020/21 objective summary at Appendix 1 and detailed in section 2 below.

1.5 The savings requirement 2020/21 is £426,000 and indications are that £361,000 savings are on course to be successfully delivered. The £65,000 savings at risk have been fully funded from contingency in the current year and ongoing impacts are included within the budget setting process 2021/22, as detailed in Appendix 2 and section 4 below.

1.6 The five year Capital Strategy 2020/21 to 2024/25 was approved by the Fire Authority in February 2020 at £24,045,000 and revised to £24,492,000 including slippage of £447,000 brought forward from 2019/20 by Policy and Resources Panel at its meeting on 23 July 2020. A change in source of funding to the sum of £452,000 from revenue to capital receipts in 2020/21 was also approved. At its meeting held on 11 February 2021, the 5 year capital programme was revised by the Fire Authority to £22,647,000. The revised 5 year Capital Programme is projected to come within budget as detailed in Section 7 and summarised in Appendix 3. The Capital Programme will be updated in light of the actual outturn 2020/21 and outstanding adjustments relating to IRMP.

1.7 The Capital Budget for 2020/21 was also revised, by the Fire Authority, to £2,295,000 and expenditure is forecasted to come in at £2,032,000 resulting in a net variation of £263,000 (slippage £338,000, overspend £76,000) on budget as detailed within Section 7 and summarised in Appendices 4 and 5.

1.8 A number of Revenue Budget and Capital Programme risks are set out in Section 3 which will be monitored throughout the year. The updated position on Contingency, Reserves, Borrowing and Investments is provided at Sections 6, 8 and 9 respectively.

2 REVENUE BUDGET COMMENTARY

2.1 The Revenue Budget is projected to underspend by a net £290,000 (previously reported £496,000 underspend). This is an adverse variation of £206,000 from the forecasted underspend reported to Policy and Resources Panel on 21 January 2021. This net underspend is summarised across divisions in Appendix 1 and detailed explanations are provided below.

2.2 **People Services:** People Services are projecting an overall net underspend of £210,000 (previously £102,000 underspend) as detailed below:

2.2.1 **Human Resources** – the manager is projecting an underspend of £70,000 (previously £30,000) underspend on staffing (£44,000), training (£11,000) and G.P. referrals. Fire Authority at its' meeting on 3 September approved the IRMP which requires a HR post for 6 months at a cost of £25,000 and is funded from contingency. An allocation of £50,000 from contingency was made for training (McCrudden) which will span two financial years and therefore, a carry forward of £11,000 will be requested at year-end. Temporary funded roles to support our Covid 19 response and P21 are also in place.

2.2.2 **Health and Safety** – the manager is projecting an underspend of £40,000 underspend (previously balanced budget). The pressures relating to flu vaccinations of up to £6,000 and £23,500 for the Health and Safety business partner role for the rest of this financial year are funded from contingency as approved by November SLT, albeit both appear likely to underspend given low level of claims received for re-imbursement for the former and a delay in the appointment of the latter. The gym refurbishment was unable to take place due to Covid-19 and therefore will result in an underspend of £10,000 on the equipment budget.

2.2.3 **Training** – projected underspend of £100,000 (previously £72,000 underspend) – Emergency Management Team (EMT) has now agreed the Covid 19 Training Recovery Plan and this forecasts a saving of £72,000 during the current financial year. This is lower than had previously been reported through the NFCC / HO Cost Tracker (approx. £33,000 per month) but reflects a detailed analysis of training delayed by Covid 19 that can be rescheduled and delivered by 31 March 2021. Income for commercial training is expected to recover to some degree during the second half of the year as delivery has been successfully transferred to on line methods. Two successful bids were made against the Government's Income Loss Compensation Scheme for the period April – November. Whilst this will not cover all of the income lost, any net loss should not be material. A review of commitments has identified savings of £28,000 including on the catering contract.

2.3 **Resources/Treasurer:** There is a projected underspend of net £242,000 (previously reported as £114,000 underspend) as follows:-

2.3.1 **Treasurer:** An underspend of £15,000 (previously balanced) is projected on legal services provided by Brighton and Hove. The savings at risk £15,000 and the budget calculation error of £24,000 were funded from contingency and the ongoing impact included in the budget setting process.

2.3.2 **ITG:** The I.T. Manager is projecting an underspend of £147,000 (previously £33,000) as detailed in the table below.

	Month 11	Month 8	Variation
	£'000	£'000	£'000
Delay in Corporate Wifi rollout	(33)	(30)	(3)
IT strategy (Multitone and bluelight XDMsoftware)	10	10	0
Credit from Trustmarque (enterprise agreement)	(15)	(15)	0
Consultancy	0	2	(2)
CRM licences delay in going live	(72)	0	(72)
ESFC IT Health Check delayed until next year	(33)	0	(33)
BT ceasing	(7)	0	(7)
Additional Adobe licences	3	0	3
TOTAL	**(147)**	**(33)**	**(114)**

At its' meeting on 3 September, the Fire Authority approved the ITG Strategy which had a funding shortfall of £110,000 in 2020/21 based on estimates provided in June. After careful review of the ITG strategy revenue budget and negotiations with suppliers, ITG can report this is now reduced to £10,000 (Multitone £6k and bluelight XDM software of £4,000). The ITG Manager has also reported savings related to Trustmarque £15,000 due to Microsoft software licence cost coming in less than originally quoted, a 7 month delay in the rollout of Corporate wifi resulting in savings of around £33,000, CRM licences £72,000 savings due to the delayed roll-out and a planned delay in IT health check £33,000.

2.3.3 **Estates:** The Estates manager continues to report an underspend of £85,000. A review of the Estates budget to identify options to deliver in year savings and to mitigate pressures elsewhere across the budget has been concluded and identified net savings in the region of £85,000. This is due to delays in the maintenance programme and identification and deletion of obsolete commitments have led to projected underspends of around £300,000 offset by overspends on utilities £67,000, cleaning £48,000 and Consultants/Hired and Contracted services of £100,000. Further work is ongoing to review existing commitments which may increase this underspend.

2.3.4 **Procurement:** The Procurement manager continues to project an underspend of £41,000. This is due to the consultancy budget (£19,000) not required this year and staffing vacancies (£22,000). SLT has agreed the use of these savings to support a revised structure in 2021/22 onwards.

2.3.5 **Finance:** The Finance Manager continues to forecast a net pressure of £46,000. This pressure has arisen from the need to provide interim cover for the Finance Manager role which exceeds the budgeted cost for that role whilst recruitment to the permanent role is progressed. Additional agency resource has also been appointed to provide management accounting capacity in the team until year end to address increased workloads resulting from grant monitoring, an extended external audit, the need to provide additional support for projects and sickness absence cover. This is being funded from a vacant post. An underspend of £7,000 will arise on internal audit charges due to less audit days being delivered and charged for than budgeted which will be requested for carry-forward to finance delayed audits in 2021/22.

2.3.5.1 **Insurance Renewal:** The renewal for insurance cover for 2020-21 provided by Fire & Rescue Indemnity Company (FRIC) is concluded which resulted in insurance costs being increased by 4.66% overall causing budget pressures of £28,000 in 2020/21 and £40,000 in 2021/22. The in-year pressure is funded through contingency whilst 2021/22 pressure has been included within the budget setting process. The increase in costs reflects primarily market conditions and the impact of current global economic uncertainty on liability cover.

2.3.5.2 **External Audit Fees:** Our external auditors Ernst & Young (E&Y) have confirmed a fee variation of c£5,000 for additional work during the audit of the 2019/20 accounts (subject to PSAA approval) which is approved to be funded through contingency. They have also advised of a significant proposed fee variation of around £30,000 for 2020/21 which again is subject to approval by Public Sector Audit Appointments Ltd (PSAA), the body who must approve any fee variation. The future year’s impact has been included in the MTFP. There is currently no provision for this pressure in the current year’s budget and it remains a risk.

2.4 **Planning and Improvement:** The overall position is an underspend £86,000 (previously underspend of £43,000).

2.4.1 **Communications** – an underspend of £41,000 (previously £29,000) is projected and comprised of: communications staffing budget (£11,000), Hire of rooms, (£10,000) Adverts, printing and publicity (£20,000).

2.4.2 **Project Management Office** – an underspend of £10,000 is projected on employees (previously balanced budget). Work has concluded on the PMO budget which identified an error of net £32,000, including a contribution from reserve, compared to the structure agreed by SLT November 2019. SLT in November 2020, approved the funding of the £32,000 shortfall from contingency in 2020/21 and future year’s shortfall is built into the MTFP. In addition a recharge to the CRM Project budget for the use of Business Analyst resource has also been agreed.

2.4.3 **Democracy –** an underspend of £35,000 is projected (previously underspend £14,000) and relates to vacancies of £18,000 and staff car allowances and subscriptions £17,000. The underspend of £10,000 on Member travel and conferences was transferred to contingency, as approved by December SLT.

2.5 **Safer Communities –** the overall projection is an underspend of £143,000 (previously £195,000 underspend).

2.5.1 Work has been concluded to identify the ongoing impact of posts that may not be properly reflected in the budget. It is confirmed that the funding of the SM green book post was put in on a temporary basis for 2019/20 only for which in-year mitigations are required. Finance will include this post in the MTFP refresh for future years. Other issues regarding unfunded posts have now been resolved following the approval of the Community Safety restructure and have been reflected in the budget for 2021/22.

2.5.2 The work to establish the current financial position taking account of budgeting at competent versus development posts, use of overtime and fixed term contracts to provide front line cover has been concluded. The Service has around £269,000 surplus budget due to all posts being budgeted at competent levels which is being utilised to finance the shortfall on employer's pension contributions of circa. £160,000 and income shortfall of £30,000 (dry-riser testing income). It should be noted that the best case scenario is being reported in terms of savings which could change in the coming months due to recruitment of green book protection posts, on call pay which can vary considerably each month and financing the training requirement associated with Aerial Ladder Platform (ALP).

2.5.3 When presenting the net underspend of £143,000 over Areas, this shows that there are relatively small overspends in each of East and Central areas, as summarised in the table below. This is mainly due to fixed term contracts covering whole time staff absences and an increase in retained operational hours. These are being mitigated, partly through reduced overtime in the Areas and with the majority of savings generated in Business Safety due to issues with recruitment in whole-time and support staff. The variation between months 8 and 11 is a decrease in underspend of £52,000, mainly relating to salaries of individuals moving to Safer Communities from Training within People Services and the rest on purchase of equipment and extension to agency contract.

	Budget	**Projected Outturn**	**Month 11 Variation**	**Month 8 Variation**	**Variation**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
AD Safer Communities	151	163	12	(22)	34
East	5,435	5,452	17	13	4
West	7,818	7,740	(78)	47	(125)
Central	5,355	5,461	106	24	82
Business Safety	1,666	1,354	(312)	(345)	33
Community Safety	839	951	112	88	24
Total Safer Communities	**21,264**	**21,121**	**(143)**	**(195)**	**52**

2.6 **Operational Support & Resilience –** the Operational Support & Resilience budget is projecting a net budget underspend of £126,000 (previously £54,000) underspend as follows:

2.6.1 **ADOSR –** £10,000 savings on salaries including pension.

2.6.2 **Operational Policy & Planning –** the Operational Support budget continues to project a budget underspend of £79,000. This comprises of a pressure on whole-time salaries of £19,000, underspend of £100,000 due to delays to specialist training, underspend on hydrants £10,000, offset by a projected overspend on Support salaries of £12,000 due to being over establishment.

2.6.3 **East Sussex Fire Control –** this is projecting an underspend of £37,000 (previously overspend £35,000) mainly due to premises costs being lower than anticipated.

2.7 **Engineering** – the Engineering budget continues to be on course for a balanced budget.

2.7.1 A number of pressures totalling £80,000 were identified as follows: an overspend on employees of £32,000 where Engineering Services Technician posts are found to be budgeted at JF3.5 but paid at JF5.3, an overspend on non-pay of £28,000 and a projected income shortfall of £20,000.

2.7.2 A review of all commitments against the repairs and maintenance budget has been concluded by Service Managers. This identified and cancelled obsolete commitments to the sum of around £100,000. Service Managers continue to review all parts of the budget including investigating known and new pressures that have come to light and take appropriate actions so that the overspend in 2019/20 is not repeated and will offset the pressures identified above.

2.7.3 The underspend on Fuel of £20,000 due to the Covid-19 situation resulting in reduced mileage and the BP free fuel offer has been transferred to contingency as approved by October SLT. Any further underspends on fuel (currently estimated at £27,000) may be transferred to contingency at year-end.

2.8 **CFO –** a total shortfall of £50,000 (previously pressure of £13,000) is forecasted due to an overlap on the interim ACFO appointment and payments relating to unused annual leave £12,000, resolution of a taxation issue as agreed by Principal Officer Appointments Panel £25,000 and £13,000 on the CFOA subscription. The ongoing shortfall on CFOA subscription has been addressed through budget setting for 2021/22.

2.9 **Treasury Management –** this income budget is likely to overachieve by £32,000 (previously £25,000). Interest rates on investments have reduced considerably following the reduction in the Bank of England base rate. Although the interest received will be considerably reduced compared to previous years, it is forecast to meet the £75,000 interest budget and deliver additional income of £32,000. We are currently reporting a forecast loss of Treasury Management income of circa. £135,133 on the NFCC / HO Cost Tracker, however, given the grant is currently fully committed it is unlikely that we will gain any additional flexibility as a result.

2.10 **Non Delegated Costs –** an overspend of £24,000 continues to be projected. This is due to miscellaneous income that will not be collected (£5k) and overspends on injury pension (£15k) and LGPS pension (£4k). These are not controllable costs and have been dealt with as part of budget setting 2021/22.

SLT agreed to the funding of scheme sanction charges (£11,000) through contingency.

2.11 **Corporate Contingency –** this budget is intended to provide some flexibility for SLT to manage in-year budget pressures and was set at £454,000 for 2020/21 and has increased by £100,000 following approvals by SLT. The total amount available in 2020/21 has increased to £544,000, funding pressures identified during the year of £532,000 leaving £22,000 remaining in contingency, as detailed in section 6. Further underspends on fuel and travel and subsistence maybe transferred here at year-end.

2.12 **Covid-19 –** expenditure was previously projected to be fully funded by the grant allocation. However, due to new costs resulting from the second wave, it is anticipated that an additional £130,000 expenditure will be incurred on top of the Covid-19 grant. The Home Office opened a second round of bidding for additional grant funding, however Fire Authorities were required to carry the burden of 0.2% of their net revenue budget above their existing grant allocation which is £77,000 for East Sussex. The Home Office has awarded the full amount bid for, having reconsidered and waived the 0.2% requirement explained above. The full pressure of £130,000 and grant awarded of £129,000 is included in the forecast outturn.

2.13 **Transfer to and from Reserves** – there is a net forecast reduction in drawdown from reserves of £8,751,000 (capital and revenue) mainly due to a delay in capital projects and the consequent reduction in the use of capital receipts as well as the transfer of £496,000 to ITG earmarked reserve to finance updated requirements on CRM. The Districts and Boroughs have confirmed level of S31 grant to be transferred into reserves at £1,309,000 which is £106,000 lower than previously forecast by LG Futures to be transferred to Reserves to finance anticipated losses of £1.309m in 2021/22 in relation to Covid-19 (refer to detailed commentary in section 8).

3 REVENUE BUDGET AND CAPITAL PROGRAMME RISKS

3.1 **Covid 19 –** the immediate financial impact of Covid 19 has been funded by grant from Government. There have been delays to capital projects and Covid 19 will continue to impact on the Authority's finances through 2020/21 and more markedly into 2021/22 where impact on both the Business Rate and Council Tax Collection Funds will be felt.

3.2 **ESFC / P21 –** the Authority has made provision in its revenue budget to support the running of the interim ESFC service through 2020/21 and to fund investment in the transitional new tripartite service in September 2021. Work to consolidate the financial baseline for P21, the funding within the SCC and Mobilising Strategy Reserve is completed and resulted in a reduced drawdown from reserve. The interim service is projected to be £37,000 underspent due to revised premises charges being lower than anticipated in 2020/21. Funding from the P21 Project contingency has been utilised in order to address one off revenue pressures on the ESFC budget in 2021/22.

3.3 **Pension Costs –** there is continued reliance on one-off grant to fund increased contributions for FPS as well as the uncertainty on the cost and funding of the remedy from the Sargent case (initial estimate of historic liability approx. £5m, ongoing costs £0.9m p.a.). For the latter it is now understood that the cost will impact through the next quadrennial scheme valuation i.e. from 2023/24 onwards.

3.4 **CRM Project –** the development of the new CRM Home Safety Visit (HSV) and Business Safety (BS) systems will see the removal of inefficient paper driven processes and the implementation of electronic data capture automating the flow of information. At its meeting in February 2021 the Authority approved additional funding of £1.094m to support the delivery of the project from the revenue underspend (£0.496m) with the balance coming from other existing reserves. £0.946m of this funding has now been transferred to the IT Strategy Reserve. The balance will be transferred once there is greater certainty on Business Rate Pool income for 2020/21.

3.5 **Firewatch Phase 2 Project –** this project has slipped from its original timeline and incurred additional cost, however the latest forecasts indicate that it will be delivered within budget. The project plan and budget is currently being re-baselined and will be confirmed at the March Project Board.

3.6 These risks will continue to be monitored in the new financial year 2021/22 and should they materialise, the Authority will need to determine how the financial impact is to be managed. The Authority has a number of options open to it to manage budget pressures: Identification of additional savings or managed underspends, use of the Corporate Contingency and/or use of General Balances.

4 <u>SAVINGS PROGRAMME 2020/21</u>

4.1 Appendix 2 summarises the savings requirement 2020/21 of £426,000. Early indications are that £361,000 savings are course to be successfully delivered, whilst £65,000 savings are at risk. These have all been funded through contingency in 2020/21 and future year’s impacts have been built into the 2021/22+ budget setting.

(iii) Management restructure - £5,000 (ongoing) is at risk due to the outcome of the Principal Officer Appointment Panel review of senior officer terms and conditions. This is funded from contingency;

(ii) Personal Protective Equipment - £20,000 (ongoing) is at risk due to the continuing use of FTCs and assistant instructors at STC and is funded from contingency.

(iii) FPS Admin to WYPF - £10,000 is at risk due to an incorrect amount being included in the contract and is funded from contingency.

(iv) Maritime Savings - £30,000 (one-off) due to the pay protection period for Maritime Allowance at Newhaven is likely to extend to the end of the financial year. This is funded from contingency.

4.2 Through the NFCC / HO Covid 19 monitoring we are tracking three areas of spend where Covid 19 is resulting in underspends as follows based on the period April – February 2021:

- Training = £72,000 – as set out in the agreed Training Recovery Plan
- Specialist Training = £100,000 as reported by Ops P&P
- Fuel = £20,000 for the first 6 months has been transferred into contingency
- Travel & Subsistence = £35,000 which has been transferred to contingency.
- Member Expenses & Conferences = £10,000 which has been transferred to contingency

5 GRANTS AND FEES & CHARGES INCOME COMPENSATION SCHEME

5.1 The Government has awarded the following grants for use on specific purposes and your officers will ensure these are delivered in accordance with grant conditions:

5.2 **Covid-19 –** This is to alleviate an increase in expenditure and shortfall in income relating to Covid-19. £137,000 was allocated toward the end of 2019/20 and almost all (£136,000) has been brought forward in an earmarked reserve. The allocation for 2020/21 is £633,000.

The end of February cost tracker return forecasts the following:

- Additional costs = £0.900m (exceeding the grant by £0.130m). Recent correspondence from the Home Office has confirmed the award of £0.129m towards these additional costs.
- Lost income = £0.234m (of which £0.135m is lost investment income but this is not a budget pressure rather an opportunity cost – the balance of £0.099m is partially mitigated by Income Loss Compensation Scheme of £0.030m – the net impact is reflected in the forecast outturn for the affected budgets)
- Savings = £0.263m (part of which has been clawed back into the contingency to fund other pressures and the balance remains as part of the overall revenue underspend)
- Bids for Covid 19 grant and Income loss Compensation totalling £0.052m were submitted and £0.030m secured.

5.3 **Surge Protection Grant Funding –** the allocation for this Service of £510,000 is specifically to deal with inspections for high rise buildings and other high risk buildings. The grant conditions have been received, including the deadline of December 2021 by which the high rise element of the grant must be spent. A project group has been set up, and, a delivery plan drawn up to ensure full use of the grant. The grant has been received in full, with the fourth quarter's grant return covering September to December 2020 submitted to the Home Office in January 2021.

5.4 **Grenfell Infrastructure Fund –** the allocation of £67,944 is to help support FRS to put in place a local Grenfell Inquiry recommendations co-ordination function which will help co-ordinate local activity and support the national work led by the NFCC; drive progress on local improvements and ensure funding for smoke-hoods and other technical investments. The grant has been received in full, with the first grant return covering September to December 2020 submitted to the Home Office in January 2021.

5.5 **Fire Fighter Pension Scheme –** the allocation of £1,734,984 is used towards the shortfall in employer's pension contributions.

5.6 **Government Income Compensation Scheme for Fees and Charges –** the Government has launched a compensation scheme which provides for net budgeted fees and charges income loss due to the impact of Covid19 in accordance with the scheme principles. There is a 5% deductible on budget and 75% of income loss thereafter is compensated. A submission (Round 1) made to the Home Office for the income loss on commercial training (£18,000) and dry riser testing (£3,300) income covering the period April to July 2020 has been successful and resulted in the receipt of £12,788 compensation. The submission made in December (Round 2) to claim fees and charges income losses sustained August to November has secured further resources of £17,352.

6 CONTINGENCY 2020/21

6.1 The Fire Authority maintains a contingency in order to assist it in managing one-off unforeseen pressures and making investments within the financial year. At its' meeting held in February 2020, the Fire Authority agreed a contingency of £454,000 for the 2020/21 financial year.

6.2 The contingency increased by £100,000 during the financial year, as approved by SLT and brings the total amount available in 2020/21 to £554,000. This is following the transfer of £35,000 underspend on travel and subsistence, £35,000 provided for the inspection which is now delayed until the next financial year, £20,000 underspend on fuel covering April to September and £10,000 underspend on Member expenses and conferences due to Covid-19. Commitments approved to date total £532,000 leaving a remaining balance of £22,000 as detailed in the table.

		£'000
Opening Balance 1 April 2020	**AD**	**454**
Travel & Subsistence Underspend aproved by SLT on 20 August	All	35
Inspection Budget no longer required approved by SLT on 17 September	LR	35
Fuel savings April to Septermber approved by SLT on 15 October	MM	20
Members Expenses and Conferences Underspend approved by SLT on 17 December	LR	10
Total Available		**554**
Maritime saving at risk	MM	30
Pension manager extension	HSY	45
Training and Assurance Secondment	HSY	60
GM ORR extension	LR	47
Swift Water Rescue	MM	10
New Workwear	DS	60
IRMP consultation	LR	30
Leadership & Behavioural framework	HSY	50
10 Internal Audit days (Approved SLT / S&A April 2020)	DS	4
NFCC VFM Framework (Approved SLT June 2020)		6
Scheme Sanction Charges	All	11
Senior Management saving at risk	DS	5
PPE saving at risk	DS	20
WYPF saving at risk	DS	10
Budget calculation error	DS	24
IRMP - HR Post x 6 months	HSY	25
Flu vaccinations	HSY	6
Health and Safety temporary business partner	HSY	24
Fire & Rescue Indemnity Company (FRIC) Insurance Renwal 2020-21	DS	28
External audit fee increase 2020-21	DS	5
PMO budget calculation error	LR	32
Total Commitments		**532**
Amount Remaining end February 2021		**22**

Extensions to secondments: £152,000 for Pension Manager, Training and Assurance SM and GM ORR.

Swift Water Rescue: £10k one-off this risk crystalised during 2019/20 following the resolution of a challenge by the FBU regarding Additional Availability Allowances and majority of costs (for historic liabilities) were accrued for in 2019/20. A small pressure of £10,000 will also impact in 2020/21.

New Workwear: £60,000 one-off – relating to the roll out of new workwear using a new national contract.

IRMP consultation: £48,000 one-off – as agreed by Fire Authority, of which £18,000 is additional cost arising from Covid 19 and will be funded from the Covid 19 grant. The remainder £30,000 is funded from Corporate Contingency.

Leadership and Behavioural Framework: £50,000 one-off for training and communications as part of roll out agreed by SLT.

Scheme Sanction Charges: WYPF our new FPS administrator has identified that scheme sanction charges have in the past been incorrectly charged to some FPS members upon retirement. The Service is in the process of refunding these charges at a cost to the revenue budget of £11,000.

Budget Calculation Error: an ongoing budget error of £24,000 has been identified within the Resources Division and it is corrected using contingency. Future years will be picked up as part of the budget setting process.

IRMP: The IRMP was approved by the Fire Authority at its' meeting held on 3 September. This included a HR post for a period of 6 months at a cost of £25,000 which is funded from contingency.

Savings at Risk: £65,000 savings are unable to be secured in this financial year and are funded through contingency as detailed in section 4 above.

7 CAPITAL PROGRAMME COMMENTARY

7.1 The original 2020/21 Capital Budget and five year Capital Strategy of £24,045,000 was approved by the Fire Authority in February 2020. The Fire Authority on 11 February 2021 approved the original 2021/22 Capital Budget and five year Capital Strategy, and in doing so, revised the 2020/21 Capital Budget and five year Capital Strategy 2020/21 to 2024/25 to the level of £22,647,000.

7.2 The revised Capital Programme is funded by: Capital Receipts £8,163,000, Revenue Reserves £4,295,000, Planned Revenue contributions £1,356,000, Internal Borrowing £384,000 and New Borrowing £8,160,000 as shown in the table below. Overall, the revised 5 year Capital Programme is forecasted to come in on budget, as summarised in Appendix 3.

	2020/21	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revised Programme CFA 11 February 2021	**2,295**	**6,105**	**7,682**	**3,673**	**2,892**	**22,647**
Funded by:						
Capital Receipts Reserve	1,939	5,991	233	0	0	8,163
Capital Programme Reserve	0	0	3,209	500	500	4,209
Revenue Contributions to Capital	0	0	452	452	452	1,356
BR Pilot Economic Reserve		86	0			86
CIL	0	0	289	0	0	289
MRP / Internal Borrowing	356	28	0	0	0	384
New Borrowing / Need to Borrow	0	0	3,499	2,721	1,940	8,160
Updated Capital Programme	**2,295**	**6,105**	**7,682**	**3,673**	**2,892**	**22,647**

7.3 A recent review of the Capital Programme has found that all IRMP related capital approvals are incorporated apart from the purchase of 4 pool cars at a total value of £72,000 and purchase of new equipment £70,000. The budget holder has advised that the planned purchases of 2 pool cars and equipment in 2020/21 will not take place until future years. Therefore, it is proposed the outstanding IRMP capital budget be included in the Capital Programme as per the revised plans at year-end, and appropriate member approval secured, as shown in the table below.

	2020-21	2021-22	2022-23	2023-24	Total
	£'000	£'000	£'000	£'000	£'000
Purchase of pool cars - original	36	36	0	0	72
Purchas of equipment - original	35	0	0	35	70
Purchase of pool cars - revised	0	36	36	0	72
Purchas of equipment - revised	0	35	0	35	70

7.4 **Capital Funding** – the sale of the old Fort Road site in Newhaven to Lewes District Council for £525,000 is proceeding with a deposit received and the balance due subject to planning next year. The disposal of the ARP currently based at Eastbourne has been progressed in line with the IRMP decision. The sale will realise a capital receipt of £120,000 and is expected before the end of the financial year. The ARP will be replaced at Eastbourne by an additional pumping appliance and the ALP formerly based at Hastings (which will be replaced by a new vehicle in February 2021). The Service has also been successful in its bid for Community Infrastructure Levy (CIL) funding from Lewes District Council. £289,000 has been awarded which will part fund the planned enhancements at Barcombe and Seaford Fire Stations, reducing the need for future borrowing.

7.5 The revised Capital Budget for 2020/21 was approved by CFA on 11 February 2021 at £2,295,000 (Estates £624,000, Fleet £1,671,000). Following a detailed review of projects, an overall variation of £263,000 is forecasted (Estates £150,000, Fleet & Equipment £113,000) of which £338,000 will be requested to slip into 2021/22 and the remainder is a net overspend of £76,000 as summarised in Appendix 4.

7.5.1 **Estates / Property –** a review of commitments has identified a net variation of £150,000 of which £260,000 is slippage and £110,000 overspend on design guide schemes. This in-year overspend will be contained within the agreed 5 year Capital Programme.

7.5.2 **Fleet and Equipment –** this is projected to have a £113,000 variation, of which £78,000 and underspend of £34,000 as summarised below and detailed in Appendices 4 and 5. Work is underway to review the forecast outturn for the RPE Project after it was identified that it may overspend its revised (reduced) budget.

	Slippage	(Underspend) / Overspend	Total
	£’000	£’000	£’000
Estates	(260)	110	**(150)**
Fleet	(78)	(34)	**(113)**
Total	**(338)**	**76**	**(263)**

The overspend 2020/21 on Estates will be contained within the overall 5 year capital programme

7.5.3 Given we are almost at the end of the financial year, it is proposed that any revisions and updates to the Capital Programme are actioned once the actual outturn 2020-21 position is known and approval sought in the Outturn 2020/21 report to CFA.

8 RESERVES 2020/21

8.1 The Fire Authority maintains Reserves in order to assist it in managing its specific spending plans across the financial year (Earmarked Reserves), making provisions for the financial risks it faces (General Fund Reserves) and making investments (Capital Receipts Reserve).

8.2 The opening balance at 1 April is £23,233,000 including a contribution from general fund reserve of £48,000 to finance the provisional net overspend 2019/20 as approved by Policy and Resources Panel on 23 July 2020.

8.3 Forecast net transfers from reserves total £3,380,000 compared to planned net drawdown of £12,131,000. This is a net reduction in drawdown of £8,751,000 resulting in an estimated balance at 31 March 2021 of £19,853,000, as summarised in the table below and detailed over individual reserves in Appendix 6.

8.4 The net changes are explained in section 8.5 below. Work continues with budget managers to confirm the actual use of revenue and capital reserves in 2020/21. The joint working between P21, ITG and Finance has identified a reduced requirement on reserves this year in relation to the P21 project. The exact figure will be reflected in the Outturn report once final queries are concluded.

		Planned Net Transfers	Forecast Net Transfers	Net change	Month 11
	Balance @ 1 April 2020	2020/21	2020/21		Balance @ 31 March 2021
	£'000	£'000	£'000	£'000	£'000
Earmarked Reserves	13,808	(6,584)	(1,522)	5,062	12,286
General Fund	1,869	(7)	(54)	(47)	1,815
Total Revenue Reserves	**15,677**	**(6,591)**	**(1,576)**	**5,015**	**14,101**
Total Capital Reserves	7,556	(5,540)	(1,804)	3,736	5,752
Total Usable Reserves	**23,233**	**(12,131)**	**(3,380)**	**8,751**	**19,853**

8.5 The main reasons for the overall net reduction in forecast drawdown from reserves of £8,751,000 are as follows:-

8.5.1 Earmarked Reserves Decrease of £5,062,000

- **£1,788,000** - no drawdown requirements in 2020/21 on ESMCP ESFRS Readiness £1,425,000, BRR Pilot Economic Development £70,000 and

Sprinklers of £293,000 due to delays in delivery of the projects we are match funding.

- **£161,000** - reduced drawdown on the IT Strategy reserve due to project delays and re-profiling of projects linked to P21.

- **(£136,000) -** full use of the Covid-19 tranche 1 grant funding 2019/20, brought forward as a reserve of £136,000 into 2020/21, towards eligible expenditure.

- **(£235,000)** - an increased drawdown on Improvement & Efficiency reserve to finance in-year priorities / projects.

- **£1,309,000** - transfer of the recently notified level of business rates deficits from Districts and Boroughs and compensating Section 31 grant to the Business Rate Relief (BRR) financial stability reserve to finance shortfalls in 2021/22 arising from Covd-19 (previously £1.415m).

- **£496,000** – revenue transfer to ITG reserve to finance revised requirements on CRM as approved by CFA on 11 February 2021. Transfers to ITG reserve from Improvement and Efficiency (£300,000) and Business Rates Pool (£150,000) earmarked reserves are also reflected in Appendix 6.

- **£1,629,000** – reduced drawdown on mobilising strategy reserve in 2020/21 following re-profiling of P21 transition costs.

- **£50,000 –** reduced drawdown on Business Rates Pool Reserve due to AFA reduction manager no longer required.

8.5.2 General Fund Reserve Increase of (£47,000)

- **(£47,000)** - This is due to the pay award which was allowed for in the 2020/21 budget at 2% increase but the Green Book pay award was confirmed at 2.75%. The 0.75% (£47,000) budgeted deficit is fully funded by general fund reserve in 2020/21 and future years will be built into the budget requirement.

8.5.3 Capital Reserves Decrease of £3,736,000

- **£3,601,000** - the reduction in capital reserves requirement arising from the updates to the capital programme and slippage of capital schemes into future years (refer to capital section 7 above).

- **£52,500** - 10% of the capital receipt from the sale of Fort Road (£525,000) has been received and the balance is expected in 2021/22 once planning is approved and will also be transferred to CR reserve once received.

- **£120,000 –** expected capital receipt from the sale of ARP currently based in Eastbourne.

9 BORROWING AND INVESTMENT

9.1 As at end February, the Authority held cash balances of £22,600,000 which are invested in accordance with the Treasury Management Strategy, as follows.

Counterparty	Duration	Amount (£m)	Rate (%)
Aberdeen MMF	Overnight	4.00	0.01
Aviva MMF	Overnight	4.00	0.01
Barclays	95 day notice	4.00	0.29
Deutsche	Overnight	0.35	0.01
Goldman Sachs	95 day notice	4.00	0.18
Local Authority – Dudley	Fixed deposit to 25th Oct 2021	2.25	1.25
Santander	95 day notice	4.00	0.4
Total		**22.60**	

9.2 Work is in progress to confirm the actual level of drawdown from reserves for the year. The Authority's budget anticipated a reduction from £19,800,000 to £7,500,000 and this will mean the need to liquidate investments during the year. As noted in Section 8 above the forecast year end position is expected to be £17,678,000. Finance continues to work with the ESCC Treasury Management team to improve cash-flow monitoring. Notice has been given on the Lloyds / HBOSS 175 day notice account.

9.3 The Bank of England reduced the base interest rate from 0.75% to 0.10% to invigorate the economy due to the impact of Covid-19. We have seen the impact of this as Banks and other institutions have reduced the rates on investments, resulting in lower interest receivable. Latest modelling indicates the income of £107,000 can be achieved, £32,000 above the budgeted level of £75,000. If interest rates had stayed at their prevailing rates, we would have seen additional income of approximately £135,000, similar to that realised in the last two financial years, to use towards managing current pressures.

9.4 The Authority has debts totalling £10,773,000 and there is no impact on the interest payable, as these are subject to fixed interest rate deals. £75,000 of the debt will mature at the end of the current financial year for which repayment arrangements are in hand.