EAST SUSSEX FIRE AUTHORITY

Meeting	Policy and Resources Panel
Date	11 November 2021
Title of Report	Revenue and Capital Budget 2021/22 and Capital Programme 2021/22 to 2025/26 Monitoring at Month 6 (end September).
By	Duncan Savage – Assistant Director Resources/Treasurer
Lead Officer	Alison Avery - Finance Manager

Background Papers	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 – Provisional Outturn Revenue and Capital Budget 2021/22 and Capital Programme 2021/22 to 2025/26 Monitoring at Month 5 (end August).

Appendices	Appendix 1: Revenue Budget 2021/22 Objective Appendix 2: Savings Programme 2021/22 Appendix 3: Grants and Spending Plans 2021/22 Appendix 4: Capital Programme 2021/22 to 2025/26 Appendix 5: Capital Budget 2021/22 Appendix 6: Engineering Capital Budget 2021/22 Appendix 7: Reserves 2021/22

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 6 monitoring undertaken on the Revenue and Capital Budget 2021/22 and Capital Programme 2021/22 to 2025/26.

EXECUTIVE SUMMARY

This is the third report to Members for the 2021/22 financial year and highlights the findings from the Month 6 monitoring undertaken on the Revenue Budget 2021/22 and 5 year Capital Programme 2021/22 to 2025/26, approved by the Authority in February 2021.

A net revenue underspend to the sum of £1,000 has been identified which is a favourable variation of £81,000 from the position identified in the last report to CFA of £80,000 overspend, as summarised in Appendix 1. This is mainly due to vacancies across the service and the identification of savings within ITG offset by overspends in relation to overtime, additional allowances for Logistics & Control Support staff (previously RMT team), ill health retirements and over budgeting on S31 business rates. Most in-year pressures will be dealt with through the use of contingency, use of reserves or service underspends.

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

Performance against grants and spending plans is summarised in Appendix 3 and detailed in section 5.

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

The original 2021/22 Capital Budget and five year Capital Strategy of £23,294,000 was approved by the Fire Authority on 11 February 2021. This is updated to £23,885,000 including slippage brought forward from 2020/21 (£364,000), IRMP vehicles and equipment (£142,000) and work at Seaford required for it to house the High Volume Pump (£85,000). The updated Capital Programme is forecasted to come in on budget as detailed in Appendix 4.

The current year Capital Budget was approved by the Fire Authority at £6,105,000 and revised to £6,625,000 including slippage (£364,000) brought forward from 2020/21, IRMP vehicles and equipment (£71,000) and work at Seaford required for it to house the High Volume Pump. Officers have reviewed the capital plans for 2021/22 and report slippage on delivery of projects to the value of £2,773,000 (42.4%). This is primarily the result of a formal review of the phasing of the Estates Strategy and its associated capital schemes. Detailed information is contained within section 7 and

summarised in Appendix 5. The Fleet and Equipment Capital Projects 2021/22 are detailed in Appendix 6.

The position on reserves shows an opening balance of £22,961,000 including the provisional net revenue underspend 2020/21 brought forward of £386,000. The forecast net drawdown from reserves is £10,137,000, an increase in drawdown of £165,000 compared to the planned drawdown of £9,972,000. This results in an estimated closing balance of £12,824,000, as detailed in section 8 and summarised in Appendix 7. Work is ongoing to review likely drawdown of reserves (including grants brought forward) for the rest of the current year on both Revenue and Capital projects.

There is a reduction in the interest receivable on the Authority's cash investments of £24,565,000 due to the Bank of England lowering its' base rates to invigorate the economy due to the impact of Covid-19. However, interest receivable is projected at £47,000, resulting in a surplus of £7,000 when compared to the budget. Interest payments on fixed rate loans of £10,298,000 are unaffected. Two loans totalling £400,000 matured on the 30th September 2021 and were repaid in full, as detailed in section 9.

RECOMMENDATION

The Policy and Resources Panel is recommended to note:

(i) the risks to Revenue Budget and the projected overspend,
(ii) the risks to the Capital Programme,
(iii) the increased net forecast drawdown from reserves,
(iv) the grants available and spending plans,
(v) the monitoring of savings taken in 2021/22; and
(vi) the current year investments and borrowing
(vii) SLT approval of a variation to the capital programme to add an £85,000 scheme for the relocation of the High Volume Pump to Seaford with funding of £85,000 from the corporate contingency

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1. INTRODUCTION

1.1 The Original Revenue Budget 2021/22 and Capital Strategy 2021/22 to 2025/26 was approved at the meeting of the Fire Authority on 11 February 2021.

1.2 This is the third report to Member for the 2021/22 financial year and highlights the findings from Month 6 (end September) monitoring undertaken on the Revenue and Capital Budget 2021/22 and Capital Programme 2021/22 to 2025/26. 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 (Month 6) £'000	Last CFA (Month 4) £'000	Movement £'000
Revenue (see section 2)	(1)	80	(81)
Capital in year (see section 7)	(2,773)	(2,671)	(102)

1.3 The Revenue Budget, approved by the Fire Authority in February 2021 was a net expenditure requirement of £40,704,000.

1.4 A net revenue underspend to the sum of £1,000 has been identified at Month 6 (end September) which is a favourable variation of £81,000 to that previously reported (£80,000 overspend) which is reflected in the Revenue Budget 2021/22 objective summary at Appendix 1 and detailed in section 2.

1.5 The savings requirement 2021/22 is £504,000. The current position shows we have delivered or are on course to deliver £479,000 (95%) of savings whilst the reduction in admin cost saving of £25,000 (5%) is at risk, as detailed in Appendix 2 and section 4. Mitigating savings are required for the saving at risk.

1.6 The grants available total £6.2m, including grants brought forward from previous years, of which spending plans total £4.5m for the current year. The quarter 1 grant claims have been concluded with quarter 2 claims currently being prepared, as summarised in Appendix 3 and detailed in section 5.

1.7 The five year Capital Strategy 2021/22 to 2025/26 was approved by the Fire Authority in February 2021 at £23,294,000 and updated to £23,800,000 including slippage of £364,000 brought forward from 2020/21 and IRMP related vehicles and equipment. The revised 5 year Capital Programme is projected to come within budget as detailed in section 7 and summarised in Appendix 3.

1.8 The Capital Budget for 2021/22 was approved by the Fire Authority at £6,105,000 and updated to £6,540,000 including slippage of £364,000 brought forward from 2020/21, IRMP related vehicles and equipment and work at Seaford required for it to house the High Volume Pump. A review of capital projects has identified slippage of £2,773,000 (42.4%) (Estates / Property £1,828,000, Fleet and Equipment £945,000) into 2022/23, as detailed within section 7 and summarised in Appendices 4 and 5.

1.9 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 £1,000 which is a favourable variation of £81,000 from the forecasted overspend (£80,000) reported

to Members at September CFA. This is summarised across divisions in Appendix 1 and detailed explanations are provided below.

2.2 **People Services**: Underspend of £10,000 expected in relation to Firewatch budget as spend will not be incurred this year. An underspend of £40,000 for appraisal training is expected, but not reported as this amount will be returned to the People Strategy Reserve.

2.3 **Resources/Treasurer:** There is an overall projected underspend of net £105,000 as follows:-

2.3.1 **Estates:** Estates projects an overspend of £120,000 (previously reported on budget) due to increased electricity costs at £80,000 and cleaning costs at £40,000. The Estates Manager is reviewing the causes of these pressures and is considering options to bring the budget back on target.

2.3.2 **ITG:** The I.T. Manager projects an under-spend of £105,000 (previously reported underspend £65,000) following an updated comprehensive review of the ITG revenue budget compared to known commitments and underspend largely relate to software.

2.4 **Planning and Improvement**: The provisional outturn is an underspend of £26,000 (previously to budget). Underspends are expected in relation to consultancy (£15,000), postage (£3,000) and staff (£8,000) due to delays in recruiting to vacancies.

2.5 **Safer Communities:** The service projects an overall underspend of £92,000 (after funding of £219,000 (1.5%) pay-award from general fund reserve) which is shown across Areas in the table below:

Area	Budget	Projected Outturn	Month 6 Variation	Month 4 Variation
	£'000	£'000	£'000	£'000
AD Safer Communities	108	97	(11)	0
Flexible Crewing Pool	250	0	(250)	0
IRMP	172	147	(25)	0
Central	5,379	5,582	203	75
West	7,598	7,864	265	56
East	5,487	5,372	(115)	0
Protection	1,726	1,540	(186)	(212)
Community Safety	927	952	26	20
Total Safer Communities	**21,647**	**21,554**	**(93)**	**(61)**

2.5.1 **AD Safer Communities:** Underspend of £11,000 on pay costs.

2.5.2 **Flexible Crewing Pool:** Underspend of £250,000 as IRMP crewing pool positions remain vacant and will not be filled this financial year, this is offset by staffing overspends elsewhere within Safer Communities.

2.5.3 **IRMP**: Underspend of £25,000 on IRMP implementation team.

2.5.4 **West and Central:** Projected overspend due to posts being over-establishment and additional overtime costs incurred as a result of challenges in crewing due to absences.

2.5.5 **East:** Underspend due to vacancies.

2.5.6 **Protection:** Underspend attributable to vacancies within the department, which are now filled.

2.5.7 **Community Safety:** Overspend largely relates to pressure from a saving of £25,000 on administrative support which is delayed until 2022/23 revisions to the CRM project timeline (detailed in Appendix 2).

2.6 **Operational Support & Resilience:** The provisional outturn is an underspend of £59,000 as follows:

2.6.1 **Ops P&P:** Overspend of £14,000 anticipated due to Logistics & Control Support Team (previously Resource Management Team) receiving unbudgeted 10% allowance from 1 September.

2.6.2 **Control Room:** An underspend of £73,000 is expected based on transition date of 17 November, which includes additional overtime incurred to cover vacancies during the delay to the go live date from September and running costs continuing for Haywards Heath to year end.

2.7 **Treasury Management:** This income budget is projected to overachieve by £7,000. Interest rates on investments have reduced significantly 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 £40,000 interest budget (reduced from £75,000 in 2020/21) and deliver additional income of £7,000.

2.8 **Non Delegated Costs:** An overspend of £66,000 is projected. Overspend of £84,000 relates to previously approved ill health retirements (IHRs) and further IHRs expected this year. These costs are spread over three financial years. These are not controllable costs and it is possible the pressure will increase during the year once IHRs in the pipeline are confirmed. The financial information on recent approvals is awaited. This is offset by underspend of £18,000 in relation to compensation and unfunded pensions based on year to date information.

2.9 **Corporate Contingency:** This budget is intended to provide some flexibility for SLT to manage in-year budget pressures and was set at £341,000 for 2021/22. The total amount available has increased to £380,000 following approvals by SLT. Approved pressures total £148,000 resulting in £232,000 remaining in contingency, as detailed in section 6. A further £85,000 is approved in relation to the move of the HVP to Seaford, and £30,000 to fund the Pension Adviser role in People Services for a further 3 months.

2.10 **Transfer to and from Reserves:** £257,000 of general fund reserves have been utilised to finance the in-year agreed 1.5% pay-award for staff on grey and gold book terms and conditions. The funding for green book staff will be provided following conclusion of national negotiations.

2.11 **Financing:** a pressure is identified of £136,000 due to the Section 31 business rates retention grant being budgeted at a higher rate than confirmed recently by the Home Office. We will be reviewing the way we forecast S31 BR grant income in the future and it is proposed to resolve the immediate issue by reducing the planned contribution to the Improvement and Efficiency reserve, however we will await the completion of work on the BR / CT Income Compensation Grants before seeking approval for this approach (see paragraph 3.2 below).

3. REVENUE BUDGET AND CAPITAL PROGRAMME RISKS

3.1 **Covid 19:** The immediate financial impacts of Covid 19 in 2019/20 and 2020/21 have been funded (whole or in-part) by grant from Government. These included increased expenditure on PPE, staffing, shortfalls in fees and charges income and delays to capital projects resulting in significant revision to the Capital Programme. Covid 19 will continue to impact on the Authority's finances during 2021/22 where impact on both the Business Rate and Council Tax Collection Funds will be felt. There is currently £170,000 Covid grant held in reserve which is anticipated to be utilised in the current year (£43,769 drawn down in quarter 1).

3.2 There is also a risk the amounts payable under the Government's compensation schemes for council tax and business rates income are lower than budgeted figures and will need to be revised as a result, both for current and future years. The compensation scheme guidance came out late and not all information from the Districts and Boroughs was received in time for budget setting. Grant letters received recently from CLG indicate significant reductions in compensation for council tax reduction (£85,000 compared to £147,000 budgeted in total over 3 years) and compensation for business rates (£4,000 compared to £93,000 budgeted in total over 3 years). We are investigating the causes for these reductions with the Districts and Boroughs and will advise SLT / Members in due course. Latest information indicates that CLG may revise the basis of the grant calculation and updated information from billing authorities has been provided to CLG via NNDR3 returns. The source of funding identified to cover in-year reductions (£50k) is the Business Rates Retention Pilot - financial stability reserve whilst future years will be dealt with as part of the MTFP.

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. The Authority will be directly liable for the cost of any Injury to Feelings claims and any additional administrative costs of implementing the remedy. A Pension Admin grant of £47,000 is being held in reserves to fund expected pension administration software upgrade costs resulting from remedy implementation.

3.4 **Pay Award 2021/22:** Negotiations have concluded between unions and pay awarding bodies resulting in a 1.5% pay award for staff on gold and grey book terms and conditions, with the cost of £257,000 fully funded from general fund reserve.

3.4.1 There was no allowance made for an increase in all pay conditions in the budget following the Government's call for a pay freeze which causes an estimated ongoing funding issue of around £440,000 (full year) which will need to be resolved as part of the MTFP 2022/23+ process. The outcome of pay-award negotiations for green book staff is awaited, with the latest employer offer being 1.75%. For every 1% increase, this would cost an extra £67,000.

3.4.2 Options for funding the immediate estimated pressures of £356,000 (adjusted for grey book pay award effective from 1 July) in the current financial year include identifying additional savings to those already included in the budget of £504,000 or use of general fund reserves. Increasing savings targets at short notice may cause adverse impacts on service delivery, and therefore, the use of general fund balances was approved by P&R Panel on 22 July and built into the budget. However, the general fund will need replenishing in the MTFP process to return to the policy minimum of 5% of the net revenue budget.

3.5 **Potential Capital Project Delays** -The impact of Brexit, Covid-19 and the Suez blockage are holding up construction projects across the nation. The dwindling supplies along with increased costs and long delivery times being experienced by the construction industry could impact on the Capital Programme. The Estates team are working to understand the potential financial impact and it is likely that this will become evidence as we move planned projects through procurement to delivery during the year.

3.6 **IRMP** – as the IRMP implementation plans are developed, it is possible that additional revenue and capital implications may be identified, and changes to implementation timelines may also affect delivery of savings. Work is in progress to refresh the IRMP financials, approved by CFA in September 2020, taking into account factors such as items not previously in scope but now required and differences in timing in implementation.

3.7 **P21 / Joint Fire Control (JFC) –** as P21 progresses toward its planned go live delayed until November 2021, the revenue costs of the resulting JFC are being reviewed and updated. This includes proposals for increased staffing as a result of the Grenfell Tower Action Plan. There is a risk that this will result in both an in year and ongoing revenue cost pressure.

4. SAVINGS PROGRAMME 2021/22

4.1 Appendix 2 summarises the net savings requirement 2021/22 of £504,000. Work is in ongoing with Service managers to identify and report actual delivery of savings compared to budgeted savings.

4.2 Current projections show we have delivered or are on course to deliver £479,000 (95%) of savings whilst the reduction in admin cost saving of £25,000 (5%) linked to the introduction of the HSV part of the CRM project will not be delivered in the current financial year, for which mitigations are required.

R.A.G. Rating	£'000	
Delivered	(144)	29%
Part Delivered	(335)	66%
Not Delivered	(25)	5%
Total Net Savings	(504)	100%

5. GRANTS AND FEES & CHARGES INCOME COMPENSATION SCHEME

5.1 The Government has awarded grants for use on specific purposes and your officers will ensure these are delivered in accordance with grant conditions. These include grants awarded in year, brought forward from previous years where their spending plans fall over more than financial year and others that require development of spending plans. The amount available is £6.2m compared to agreed spending plans of £4.5m in 2021/22. The quarter 1 grant returns have been submitted, with the quarter 2 grant returns currently being prepared as summarised in Appendix 3.

5.2 The latest grants are detailed below:

5.3 **Covid-19: –** This is to alleviate an increase in expenditure and shortfall in income relating to Covid-19. £170,000 has been brought forward in a grants reserve, of which £43,769 was spent in quarter 1.

5.4 **Surge Protection Grant Funding: –** this 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 further allocation of £421,366 has recently been awarded. A project group has been set up and delivery plans drawn up to ensure full use of the grant (£653,149 in 2021/22). The Service's plan for increasing capacity within its Protection function will require funding beyond that available through the Grant available. A further £0.3m is forecast to be required (in 2022/23 & 2023/24) and options for funding this are being explored through the budget setting process.

5.5 **Grenfell Infrastructure Fund:** £46,607 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.

5.6 **Fire Fighter Pension Scheme:** this is used towards the shortfall in employer's pension contributions and details of allocation 2021/22 (estimated at £1.7m) are awaited.

5.7 **Government Income Compensation Scheme for Fees and Charges:** In 2020/21, the Government launched a compensation scheme which provided for net budgeted fees and charges income loss due to the impact of Covid19 in accordance with the scheme principles. A claim for April to June 2021 will be submitted following review of details recently released on the updated scheme.

6. CONTINGENCY 2021/22

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 2021, the Fire Authority agreed a contingency of £341,000 for the 2021/22 financial year.

6.2 The contingency increased by £39,000, as approved by SLT and brings the total amount available in 2021/22 to £380,000. This is following the transfer of £39,000 underspend on fuel and transport due to Covid-19.

6.3 Commitments approved to date total £263,000. Pressures totalling £85,000 in relation to the move of the HVP to Seaford and £30,000 to extend the Pension Adviser role were approved by SLT in October. The remaining contingency balance of £117,000 following approvals by SLT, as detailed in the table below:

		£'000
Opening Balance 1 April 2021	**Lead**	**341**
Fuel and Transport Underspend agreed by SLT in August		39
Available		**380**
P21 Change control part year impact	MO'B	23
Extension of Pension Adviser to 31/12/2021	DM	61
Pensions awareness training	DM	2
Finance Improvement Plan Resource	DS	62
HVP move to Seaford	MM	85
Extension of Pension Adviser to 31/03/2021	DM	30
Total Commitments		**263**
Amount Remaining end September 2021		**117**

7. Capital Programme Commentary

7.1 The original 2021/22 Capital Budget and five year Capital Strategy of £23,294,000 was approved by the Fire Authority on 11 February 2021. This is updated to £23,885,000 including slippage brought forward from 2020/21 of £364,000 and IRMP vehicles and equipment (as approved by Policy and Resources Panel on 22 July).

7.2 The Capital Programme is funded by: Capital Receipts Reserve £6,588,000, Capital Programme Reserves £4,709,000, Revenue Contributions to Capital £1,893,000, BR Pilot Economic Reserve £86,000, Community Infrastructure Levy (CIL) £289,000, Internal Borrowing £28,000 and New Borrowing £10,292,000 as

shown in the table below. Overall, the revised 5 year Capital Programme is forecasted to come in on budget, as summarised in Appendix 4.

	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fleet and Equipment	3,100	2,269	2,269	1,789	1,659	11,086
Estates	3,090	5,413	1,404	1,103	1,283	12,293
Original Approved Programme	6,190	7,682	3,673	2,892	2,942	23,379
Slippage from 2020/21	364	0	0	0	0	364
Addition to Fleet and Equipment	71	36	35	0	0	142
*Slippage into 2022/23	(2,773)	2,773	0	0	0	0
Updated Capital Programme	**3,852**	**10,491**	**3,708**	**2,892**	**2,942**	**23,885**
Funded by:						
Capital Receipts Reserve	3,653	2,935	0	0	0	6,588
Capital Programme Reserve	0	3,209	500	500	500	4,709
Revenue Contributions to Capital	85	452	452	452	452	1,893
BR Pilot Economic Reserve	86	0	0	0	0	86
CIL	0	289		0	0	289
MRP / Internal Borrowing	28	0	0	0	0	28
New Borrowing / Need to Borrow	0	3,606	2,756	1,940	1,990	10,292
Updated Capital Programme	**3,852**	**10,491**	**3,708**	**2,892**	**2,942**	**23,885**

7.3 **Capital Funding** – the sale of the old Fort Rd site in Newhaven to Lewes District Council for £525,000 is proceeding with a 10% deposit received in 2020/21 and the balance due subject to planning this year. 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.

7.4 The **Capital Budget 2021/22** was approved by the Fire Authority at £6,105,000 and updated to £6,625,000 (Property £3,148,000 and Fleet and Equipment £3,477,000) including slippage of £364,000 brought forward from 2020/21, £71,000 IRMP related pool cars and vehicles and £85,000 for alterations to Seaford.

7.5 A review of the 2021/22 capital budget by officers has identified significant slippage to the value of £2,773,000 (42.4%) (Estates / Property £1,828,000, Fleet and Equipment £945,000) into 2022/23, as summarised in Appendices 5 and 6.

7.5.1 The Estates / Property slippages totalling £1,828,000 relate to delays at Preston Circus due to an identified operational issue which required resolution and resulted in a 9 month delay, with work not expected to commence this financial year and in addition there has been a four month delay in relation to the four Design Guide stations due to significant end-user engagement and further consultation to revisit and develop the agreed schemes and detailed scrutiny of tender documents. A review of the programme has resulted in a reduction to the underspend by £114,000 since last month. Estates are currently reviewing the overall capital programme and spend profiles and have put in place further risk assessments and management measurements to ensure programmes progress as planned and any slippages are reported as early as possible.

7.5.2 The Fleet slippage is £945,000, of this £506,000 relates to an eight month delay in chassis deliveries for two vehicles due to the global shortage of semi-conductors, with the remaining £439,000 slippage due to the capacity in the Engineering team to deliver the replacement vehicles in 2021-22 as planned.

7.6 SLT approved an increase the capital programme by £85,000 to cover the cost of alterations to Seaford FS to accommodate the High Volume Pump which is being moved from Hove FS as a result of the IRMP. Under Financial Regulation 7.2.4 The Capital Programme may be varied with the agreement of the Treasurer, if no additional unfunded commitments for future years are incurred, in the following circumstances where: i). budget provision is transferred to capital expenditure financed from the revenue account (CERA) up to a maximum of 5% of the Revenue Budget in any financial year.

8. RESERVES 2021/22

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 £22,961,000 including the provisional net underspend 2020/21 of £386,000 brought forward in an earmarked reserve.

8.3 The forecast net drawdown from reserves totals £10,137,000 compared to the original planned net drawdown of £9,972,000. This is a net increase in drawdown of £165,000 resulting in an estimated balance at 31 March 2022 of £12,824,000, as summarised in the table below and detailed over individual reserves in Appendix 7.

		Original Planned Net Transfers	Forecast Net Transfers	Net change	Month 6
	Balance @ 1 April 2021	2021/22	2021/22	2021/22	Balance @ 31 March 2022
	£'000	£'000	£'000	£'000	£'000
Earmarked Reserves	14,973	(4,663)	(6,909)	(2,246)	8,064
General Fund	1,960	210	(47)	(257)	1,913
Total Revenue Reserves	**16,933**	**(4,453)**	**(6,956)**	**(2,503)**	**9,977**
Total Capital Reserves	6,028	(5,519)	(3,181)	2,338	2,847
Total Usable Reserves	**22,961**	**(9,972)**	**(10,137)**	**(165)**	**12,824**

8.4 The net changes are explained in section 8.5 below. Work continues with budget managers to confirm the planned use of revenue and capital reserves in 2021/22.

8.5 The main reasons for the overall net increase in forecast drawdown from reserves of (£165,000) are as follows:

8.5.1 **Earmarked Reserves - Increase of (£2,246,000)**

- (£675,000) – use of grant funding brought forward on eligible expenditure according to grant spending plans (Covid-19, Protection, Council Tax and Business Rates Guarantee Scheme, New Dimensions etc.)

- (£299,000) - increased commitments on the Improvement and Efficiency Reserve including £136,000 to finance over budgeting S31 business rates retention.

- (£1,579,000) - re-profiling of projects linked to P21 funded from the mobilising strategy reserve

- (£386,000) - use of provisional net underspend 2020/21 brought forward in Carry Forward reserve on in-year priorities

- £713,000 – delayed drawdown to future years on ESMCP readiness reserve

- (£20,000) – use of ITG Strategy Finance & Procurement Systems Replacement to fund resource support for the Finance Improvement Programme (SAP Replacement)

8.5.2 **General Fund Reserve – Increase of (£257,000)**

- (£257,000) due to the financing of 1.5% for staff on gold and grey book terms and conditions.

8.5.3 **Capital Reserves – Decrease of £2,338,000**

- (£364,000) – due to the slippage in capital schemes brought forward from 2020/21 for completion in 2021/22 (refer to capital section 7 above).

- (£71,000) – inclusion of IRMP related pool cars and equipment (refer to capital section 7 above).

- £2,773,000 – due to the slippage of capital projects into 2022/23

9. BORROWING AND INVESTMENT

9.1 As at end September, the Authority held cash balances of £24,565,000 which are invested in accordance with the Treasury Management Strategy, as follows.

Counterparty	Duration	Amount	Interest Rate
		£m	%
Aberdeen Cash Money Market Fund	Overnight Access	4.000	0.01
Barclays	95 Day Notice	4.000	0.15
Deutsche Cash Money Market Fund	Overnight Access	3.315	0.01
Goldman Sachs	95 Day Notice	4.000	0.18
Goldman Sachs	Fixed to 04/02/22	1.000	0.19
LA Deposit (Dudley MBC)	Fixed to 25/10/21	2.250	1.25
Natwest	35 Day Notice	2.000	0.10
Santander	95 Day Notice	4.000	0.40
Total Investments		**24.565**	

9.2 Further work is in progress to confirm the forecast level of drawdown from reserves during the year. The current forecast of a reduction in reserves of £10.137m mean that the Service will need to monitor its liquidity and cashflow closely during the year and this may involve giving notice on some of its existing investments. Finance continues to work with the ESCC Treasury Management team to improve cash-flow monitoring.

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 are seeing an impact as Banks reduce their rates on investments, resulting in lower interest receivable. Latest modelling indicates the income of around £47,000 can be achieved, £7,000 above the budgeted level of £40,000. The interest income budget was reduced from £75,000 to £40,000 for 2021/22 to reflect the planned reduction in funds available for short term investment and the reduction in interest rates.

9.4 The Authority has borrowing totalling £10,298,000 and there is no impact on the interest payable, as these are subject to fixed interest rate deals. Two loans totalling £400,000 matured on the 30th September 2021 for which repayment was made in full.