

## EAST SUSSEX FIRE AUTHORITY

<b>Meeting</b>	Policy and Resources Panel
<b>Date</b>	20 January 2022
<b>Title of Report</b>	Revenue and Capital Budget 2021/22 and Capital Programme 2021/22 to 2025/26 Monitoring at Month 8 (end November).
<b>By</b>	Duncan Savage – Assistant Director Resources/Treasurer
<b>Lead Officer</b>	Alison Avery - Finance Manager

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<b>Background Papers</b>	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 6 (end September)

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<b>Appendices</b>	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
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### Implications

<b>CORPORATE RISK</b>		<b>LEGAL</b>	
<b>ENVIRONMENTAL</b>		<b>POLICY</b>	
<b>EQUALITY IMPACT</b>		<b>POLITICAL</b>	
<b>FINANCIAL</b>	✓	<b>OTHER (please specify)</b>	
<b>HEALTH &amp; SAFETY</b>		<b>CORE BRIEF</b>	
<b>HUMAN RESOURCES</b>			

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<b>PURPOSE OF REPORT</b>	To report on the findings of the Month 8 monitoring undertaken on the Revenue and Capital Budget 2021/22 and Capital Programme 2021/22 to 2025/26.
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## **EXECUTIVE SUMMARY**

This is the fourth report to Members for the 2021/22 financial year and highlights the findings from the Month 8 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 £388,000 has been identified which is an increase in underspend of £387,000 from the position identified in the last report to P&R of £1,000 underspend, as summarised in Appendix 1. This is mainly due to vacancies across the service, the identification of savings within ITG, underspends within OSR, offset by overspends in relation to overtime, DCFO recruitment, 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.

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 underspend by £18,000 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 £3,925,000 (59.2%). This is primarily the result of a formal review of the phasing of the Estates Strategy and its associated capital schemes as well as delays within Engineering. In addition, underspend of £18,000 is expected against Engineering 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 £7,643,000, a reduction in drawdown of £2,329,000 compared to the planned drawdown of £9,972,000. This results in an estimated closing balance of £15,318,000, 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 £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 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. In the last month the Service has placed £1m in a Standard Chartered 6 month fixed term Environmental, Social and Governance account.

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**RECOMMENDATION****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
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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 fourth report to Members for the 2021/22 financial year and highlights the findings from Month 8 (end November) 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.

	<b>This P&amp;R (Month 8)</b>	<b>Last P&amp;R (Month 6)</b>	<b>Movement</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Revenue (see section 2)	(388)	(1)	(387)
Capital in year (see section 7)	(3,925)	(2,773)	(1,152)

- 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 £388,000 has been identified at Month 8 (end November) which is an increase in underspend of £387,000 to that previously reported (£1,000 underspend) 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 £454,000 (91%) of savings. IRMP implementation and Community Safety Restructure savings will not be achieved in full, 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.
- 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 and 2 grant claims have been concluded, 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 £23,885,000 including slippage of £364,000 brought forward from 2020/21, IRMP related vehicles, equipment and estates work. The revised 5 year Capital Programme is projected to underspend by £18,000 within Engineering 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 £6,625,000 including slippage of £364,000 brought forward from 2020/21 and IRMP related vehicles, equipment and estates work. A review of capital projects has identified slippage of £3,334,000 (50.3%) (Estates / Property £2,128,000, Fleet and Equipment £1,206,000) 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 £388,000 which is an increase in underspend from the forecasted underspend of £1,000 reported to Members at the November Policy & Resources Panel. This is summarised across divisions in Appendix 1 and detailed explanations are provided below.
- 2.2 **People Services:** There is a projected overspend of £70,000 as follows:
- 2.2.1 **HR:** Overspend of £25,000 in relation to the DCFO recruitment process.
- 2.2.2 **Training:** Overspend of £45,000 attributable to an overspend of £95,000 on firefighter recruitment training, offset by underspend on training, partially offset by overtime. The outstanding training budget will be discussed at the Strategic HR meeting in January at which point there will be greater clarity about the training outturn position.
- 2.3 **Resources/Treasurer:** There is an overall projected underspend of net £203,000 as follows:
- 2.3.1 **Estates:** Estates projects an overspend of £140,000 largely due to increased electricity (£80,000), cleaning costs (£40,000) and hired and contracted services (£144,000), which are offset by underspends on staff (£54,000), planned maintenance (£48,000) and improvement works (£26,000).
- 2.3.2 **ITG:** The I.T. Manager projects an under-spend of £343,000 (previously reported underspend £105,000) following an updated comprehensive review of the ITG revenue budget compared to known commitments. Additional underspend of £238,000 relates to underspends on CRM licences (£124,000), consultancy (£72,000), software (£36,000), integrated health & safety system with implementation delayed to 2022/23 (£23,000) and a number of small underspends across various headings (£5,000) offset by overspends on pay (£12,000) and wireless equipment (£10,000).
- 2.4 **Planning and Improvement:** The provisional outturn is an underspend of £26,000. (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 £5,000 (previously £92,000), which is shown across Areas in the table below:

	Budget	Projected Outturn	Month 8 Variation	Month 6 Variation
Area	£'000	£'000	£'000	£'000
AD Safer Communities	108	103	(5)	(11)
Flexible Crewing Pool	250	0	(250)	(250)
IRMP	172	172	0	(25)
Central	5,378	5,554	176	204
West	7,598	7,863	265	265
East	5,486	5,374	(112)	(115)
Protection	1,724	1,574	(150)	(186)
Community Safety	920	991	71	26
<b>Total Safer Communities</b>	<b>21,636</b>	<b>21,631</b>	<b>(5)</b>	<b>(92)</b>

- 2.5.1 **AD Safer Communities:** Underspend of £5,000 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 **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 relates to pressure from their un-achievable saving of £25,000 (detailed in Appendix 2) and staff costs, including recruitment of additional temporary staff.
- 2.6 **Operational Support & Resilience:** The provisional outturn is an underspend of £266,000 as follows:
- 2.6.1 **AD OSR:** Underspend of £8,000 expected in relation to equipment.
- 2.6.2 **Engineering:** Underspend of £139,000 expected (previously to budget). This relates to additional income for vehicle sales (£58,000), maintenance based on historic trends and adjusted for expected contracted out maintenance (£35,000) and equipment as the budget is based on an obsolete equipment replacement programme (£60,000). These are offset by an overspend of £14,000 on fuel as prices have risen by 21% since April
- 2.6.3 **Ops P&P:** Underspend of £23,000 expected. This relates to staffing, due to delays in recruiting (£12,000), hydrants (£5,000) and specialist training and equipment (£20,000) offset by the Logistics & Control Support Team (previously Resource Management Team) receiving 10% allowances from 1 September (£14,000).

- 2.6.4 **Control Room:** An underspend of £96,000 is expected. Additional overtime to cover vacancies during the delay in go live date and running costs continuing for Haywards Heath to year end are offset by savings due to carrying vacancies.
- 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 £407,000 following approvals by SLT. Approved pressures total £363,000, as detailed in section 6. The remaining £44,000 has been reported as an underspend.
- 2.10 **Transfer to and from Reserves:** Underspend of £136,000 expected as the contribution to the Improvement and Efficiency reserve has been reduced to offset the section 31 business rates pressure. £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. The pressure has been offset by a reduction in contribution to the Improvement and Efficiency reserve. In addition, there is a pressure of £50,000 as a result of the amounts paid for the Government's compensation scheme for council tax and business rates are lower than budgeted figures.

### **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 (£110,084 drawn down in quarters 1 and 2).
- 3.2 **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 2024/25 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. The Government has also recently announced that it will not fund non scheme costs including unauthorised tax charges and scheme sanction charges in the current tax year. A Pension Admin grant of £47,000 is being held in reserves to fund expected pension administration software upgrade costs resulting from remedy implementation. In the light of potential additional unfunded costs an additional £100,000 has been allocated to the Pension Administration Reserve from contingency.

- 3.3 **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.
- 3.3.1 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 £460,000 (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.
- 3.3.2 Following approval from SLT £117,000 has been transferred from the General Reserve to an earmarked reserve to cover the green book pay award.
- 3.4 **Potential Capital Project Cost Increases:** 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.

#### **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 £454,000 (91%) of savings. IRMP implementation and Community Safety Restructure savings will not be achieved in full, 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%
<b>Total Net Savings</b>	<b>(504)</b>	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 and a further £66,315 in quarter 2.
- 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 £1.7m has been received.
- 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 has recently been submitted.

## 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 An additional £66,000 has been transferred to contingency following transfers of underspends in relation to fuel, transport, travel and subsistence due to Covid-19, as approved by SLT. This brought the total contingency amount available within 2021/22 to £407,000.
- 6.3 Commitments approved to date total £363,000. The remaining contingency balance is £44,000 following approvals by SLT, as detailed in the table below:

		£'000
<b>Opening Balance 1 April 2021</b>	<b>Lead</b>	<b>341</b>
Fuel and Transport Underspend agreed by SLT in August		39
Travel & Subsistence Underspend agreed by SLT in November		27
<b>Available</b>		<b>407</b>
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	DS	85
Extention of Pension Advisor to 31/03/2022	DM	30
Transfer to Pension Admin Reserve to cover unfunded costs	DM	100
<b>Total Commitments</b>		<b>363</b>
<b>Amount Remaining end November 2021</b>		<b>44</b>

## 7.0 **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, equipment and estates work.
- 7.2 The Capital Programme is funded by: Capital Receipts Reserve £6,500,000, 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 £10,362,000 as shown in the table below. Overall, the revised 5 year Capital Programme is forecasted to come in underspent by £18,000, as summarised in Appendix 4.

	£'000	£'000	£'000	£'000	£'000	£'000
Fleet and Equipment	3,100	2,269	2,269	1,789	1,659	11,086
Estates	3,005	5,413	1,404	1,103	1,283	12,208
Original Approved Programme	6,105	7,682	3,673	2,892	2,942	23,294
Slippage from 2020/21	364	0	0	0	0	364
Addition to Fleet and Equipment	71	36	35	0	0	142
Addition to Estates	85	0	0	0	0	85
Underspend	(18)	0	0	0	0	(18)
*Slippage into 2022/23	(3,925)	3,925	0	0	0	0
<b>Updated Capital Programme</b>	<b>2,682</b>	<b>11,643</b>	<b>3,708</b>	<b>2,892</b>	<b>2,942</b>	<b>23,867</b>
Funded by:						
Capital Receipts Reserve	2,483	4,017	0	0	0	6,500
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	3,676	2,756	1,940	1,990	10,362
<b>Updated Capital Programme</b>	<b>2,682</b>	<b>11,643</b>	<b>3,708</b>	<b>2,892</b>	<b>2,942</b>	<b>23,867</b>

- 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. There is a risk that the amount received will be lower than originally agreed as Lewes DC has experienced problems with its planning application. 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 and £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 £3,925,000 (59.2%) (Estates / Property £2,719,000, Fleet and Equipment £1,205,000) into 2022/23 and additional underspend of £18,000 within Fleet, as summarised in Appendices 5 and 6.
- 7.5.1 The Estates / Property slippages totalling £2,719,000 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 delays 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. Additional slippage of £889,000 is reported since P6 which is due to delays in the tender process for the Design Guide stations, with work starting at Hove in April, rather than February as originally planned. 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 underspend is £1,223,000, of this £1,205,000 relates to slippage. Underspend of £18,000 relates to duplicate budget for a van purchase. The slippage is due to delays in chassis deliveries due to the global shortages of semi-conductors and the capacity within the Engineering team to deliver the replacement vehicles in 2021-22 as planned. A review of the programme has resulted in additional slippage of £261,000 since P7, with vehicles expected to be built in quarter 1 2022/23.

## 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 £7,643,000 compared to the original planned net drawdown of £9,972,000. This is a net reduction in drawdown of £2,329,000 resulting in an estimated balance at 31 March 2022 of £15,318,000 as summarised in the table below and detailed over individual reserves in Appendix 7.

		Original Planned Net Transfers	Forecast Net Transfers	Net change	Month 8
	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)	(5,368)	(705)	9,605
General Fund	1,960	210	(164)	(374)	1,796
<b>Total Revenue Reserves</b>	<b>16,933</b>	<b>(4,453)</b>	<b>(5,532)</b>	<b>(1,079)</b>	<b>11,401</b>
Total Capital Reserves	6,028	(5,519)	(2,011)	3,508	4,017
<b>Total Usable Reserves</b>	<b>22,961</b>	<b>(9,972)</b>	<b>(7,543)</b>	<b>2,429</b>	<b>15,418</b>

- 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 reduction in forecast drawdown from reserves of £2,329,000 are as follows:

### 8.5.1 **Earmarked Reserves - Increase of (£705,000)**

- £422,000 – share of Business Rates Pool, based on the final 20/21 pool monitoring
- (£577,000) – 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.)
- (£65,000) - reduced 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
- (£309,000) - 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 to fund resource support for the Finance Improvement Programme
- £46,000 – allocation of remaining Protection grant funding
- £50,000 – decision not to fund Demand Reduction Manager
- £50,000 – return to People Strategy reserve in relation to Appraisals and HR Intelligence
- £347,000 – delayed drawdown from Sprinklers Reserve
- £117,000 – from general reserve for green book pay award at 1.75% prior to formal agreement.
- £100,000 – allocation from contingency to fund additional unfunded pensions costs

#### 8.5.2 General Fund Reserve – Increase of (£374,000)

- (£257,000) due to the financing of 1.5% for staff on gold and grey book terms and conditions.
- (£117,000) transferred to earmarked reserve for green book pay award, yet to be formally agreed.

#### 8.5.3 Capital Reserves – Decrease of £3,508,000

- (£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).
- £3,925,000 – due to slippage of capital projects into 2022/23
- £18,000 – due to expected underspend on Engineering capital projects

## 9. **BORROWING AND INVESTMENT**

- 9.1 As at end November, the Authority held cash balances of £22,600,000 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	2.600	0.02
Goldman Sachs	95 Day Notice	4.000	0.18
Goldman Sachs	Fixed to 04/02/22	1.000	0.19
Natwest	35 Day Notice	2.000	0.10
Santander	95 Day Notice	4.000	0.40
Standard Chartered	Fixed to 25/05/22	1.000	0.29
<b>Total Investments</b>		<b>22.600</b>	

- 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 £7.643m 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. In the last month the Service has placed £1m in a Standard Chartered 6 month fixed term Environmental, Social and Governance (ESG) account, on the basis that the yield was consistent with other similar non ESG accounts
- 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.