

EAST SUSSEX FIRE AUTHORITY

Meeting	Policy and Resources Panel
Date	12 May 2022
Title of Report	Revenue and Capital Budget 2021/22 and Capital Programme 2021/22 to 2025/26 Monitoring at Month 11 (end February)
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 8 (end November)
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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
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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 2021/22 and Capital Programme 2021/22 to 2025/26.
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EXECUTIVE SUMMARY

This is the fifth report to Members for the 2021/22 financial year and highlights the findings from the Month 11 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. The closedown and final accounts process for 2021/22 is underway and we expect to bring a provisional outturn report to this Panel in July.

A net revenue underspend to the sum of £264,000 has been identified which is a reduction in underspend of £124,000 from the position identified in the last report to this Panel of £388,000 underspend, as summarised in Appendix 1. This is mainly due to vacancies across the service, the identification of underspends within ITG and Finance, underspends within OSR, offset by overspends in relation to being over establishment in wholetime staff, overtime, DCFO recruitment, additional allowances for Logistics & Control Support staff (previously RMT team), ill health retirements, firefighter recruitment, occupational health and includes the staff pay award. The reduction in underspend since Month 8 can be attributed in part to the staff pay award at £119,000, although there is also additional spend in People Services for occupational health and training, offset by reductions in Estates, Finance, Engineering and Corporate Contingency. In addition S31 and TIG grants received were higher than anticipated and the transfer of £136,000 from reserves to cover that pressure is no longer required.

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. The Fire Authority on 10 February 2022 approved the original 2022/23 and five year Capital Strategy, and in doing so, revised the 2021/22 Capital Budget and five year Capital Strategy 2021/22 to 2025/26 to the level of £25,327,000.

The current year Capital Budget was approved by the Fire Authority at £6,105,000 and updated to £2,682,000 (Property £429,000 and Fleet and Equipment £2,253,000) including slippage of £364,000 brought forward from 2020/21, £71,000

IRMP related pool cars and vehicles, £85,000 for alterations to Seaford and £3,910,000 slippage to 2022/23. Officers have reviewed the capital plans for 2021/22 and report slippage on delivery of projects to the value of £511,000 (19.2%). This is primarily due to further delays within Engineering due to the global supply issues. In addition underspend of £40,000 is expected against capital schemes comprising underspend of £55,000 in Engineering and £15,000 overspend in Estates. 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. The forecast net drawdown from reserves is £6,137,000, 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 £16,824,000, 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 was a reduction in the interest receivable on the Authority's cash investments of £20,640,000 due to the Bank of England lowering its' base rates to invigorate the economy due to the impact of Covid-19. However, the base rate increased in December and again in February with interest receivable projected at £55,000, resulting in a surplus of £15,000 when compared to the budget. Interest payments on fixed rate loans of £10,298,000 are unaffected.

RECOMMENDATION

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,
 - (iii) the reduced 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 fifth report to Members for the 2021/22 financial year and highlights the findings from Month 11 (end February) 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 11) £'000	Last P&R (Month 8) £'000	Movement £'000
Revenue (see section 2)	(264)	(388)	124
Capital in year (see section 7)	(551)	(3,925)	3,374

- 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 £264,000 has been identified at Month 11 (end February) which is a reduction in underspend of £124,000 to that previously reported (£388,000 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 £361,000 (71%) 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.
- 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. The Fire Authority on 10 February 2022 approved the original 2022/23 and five year Capital Strategy, and in doing so, revised the 2021/22 Capital Budget and five year Capital Strategy 2021/22 to 2025/26 to the level of £25,327,000. The revised 5 year Capital Programme is projected to underspend by £40,000 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 £2,682,000 including slippage of £364,000 brought forward from 2020/21, IRMP related vehicles, equipment and estates work of £156,000 and 361£3,910,000 slippage to 2022/23. A review of capital projects has identified

slippage of £511,000 (19.2%) (Fleet & Equipment £591,000 offset by overspend within Estates of £80,000) into 2022/23, and additional underspend of £40,000 within Fleet, 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 £264,000 which is a reduction in underspend from the forecasted underspend of £388,000 reported to Members at November 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 £214,000 as follows:

- 2.2.1 **HR:** Overspend expected of £96,000. The overspend relates to DCFO recruitment (£25,000), occupational health (£56,000) and staff pay award (£15,000). The charges for Occupational Health are the latest information from our collaboration partners and represent the worst case scenario, although these are being challenged.

- 2.2.2 **Training:** Overspend of £122,000 relates to firefighter recruitment (£95,000), overtime (£114,000) loss of income (£25,000) and other spends including equipment (£46,000) offset by underspend on training (£158,000). The overspend on firefighter recruitment is due to spend being incurred earlier than previously anticipated, with the total spend expected to be in line with the budget provision of £350,000 across 2021-22 and 2022-23.

- 2.3 **Resources/Treasurer:** There is an overall projected underspend of £416,000 as follows:

- 2.3.1 **Estates:** Estates projects an overspend of £29,000 largely due to increased electricity (£70,000), cleaning costs (£20,000), underachieved income (£17,000) and hired and contracted services (£270,000), which are offset by underspends on staff (£51,000), maintenance & improvement works (£240,000), rent & rates (£44,000) and other small underspends across the department of £13,000.

- 2.3.2 **ITG:** The I.T. Manager projects an under-spend of £378,000 (previously reported underspend £343,000) following an updated comprehensive review of the ITG revenue budget compared to known commitments.

- 2.3.3 **Finance:** Finance projects an underspend of £62,000, following a thorough review of outstanding commitments and review of expected costs for the year, including those for external audit and one-off costs related to the Finance Improvement Plan.

- 2.3.4 **Procurement:** Procurement projects an underspend of £7,000 relating to an underspend in relation to 0.5fte Category Assistant vacancy.

- 2.4 **Planning and Improvement:** The forecast is an underspend of £31,000 as follows:

- 2.4.1 **Communications:** Overspend of £17,000 expected due to maternity cover and pensions costs.
- 2.4.2 **Performance:** Underspend of £9,000 in relation to consultancy and subscriptions.
- 2.4.3 **PMO:** Underspend of £25,000 in relation to vacancies within the department offset by agency staff costs.
- 2.4.4 **Cost of Democracy:** Underspend of £14,000 due to vacancies within the department and an underspend on members' conferences and travelling.
- 2.5 **Safer Communities:** The service projects an overall overspend of £197,000 (previously £5,000 underspend), which is shown across Areas in the table below:

Area	Budget	Projected	Month 11	Month 8	Variance	Pay	Other
	£'000	Outturn	Variation	Variance			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
AD Safer Communities	114	110	(4)	(5)	1	0	1
Flexible Crewing Pool	250	0	(250)	(250)	0	0	0
IRMP	172	135	(37)	0	(37)	1	(38)
Central	5,378	5,518	140	176	(36)	1	(37)
West	7,598	7,941	343	265	78	2	76
East	5,486	5,511	25	(112)	137	3	134
Protection	1,724	1,603	(121)	(150)	29	11	18
Prevention	920	1,021	101	71	30	14	16
Total Safer Communities	21,642	21,839	197	(5)	202	32	170

- 2.5.1 **AD Safer Communities:** Underspend of £4,000 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. The forecast has increased in West due to wholetime costs and reduced in Central due to overtime.
- 2.5.5 **East:** Projected overspend of £25,000 which can be attributed to overtime costs due to crewing challenges. This offsets the underspend which had previously been expected due to vacancies.
- 2.5.6 **Protection:** The underspend of £121,000 (previously £150,000) is attributable to vacancies within the department, which are now filled, this is offset in part by an underachievement of £11,000 on Primary Authority income against the agreed target of £19,000.
- 2.5.7 **Community Safety:** Overspend of £101,000 relates to pressure from their unachievable saving of £50,000 (detailed in Appendix 2) and staff costs, including recruitment of additional temporary staff to cover maternity leave and long term sick leave. The forecast has reduced following a review of outstanding commitments relating to smoke alarms and equipment

- 2.6 **Operational Support & Resilience:** The provisional outturn is an underspend of £199,000 as follows:
- 2.6.1 **AD OSR:** Overspend of £1,000 (previously £8,000 underspend). Overspend on overtime for FBU representatives is offset by an underspend on equipment.
- 2.6.2 **Engineering:** Underspend of £189,000 expected (previously £139,000). This relates to additional income for vehicle sales (£81,000), 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 (£115,000). These are offset by an overspend of £31,000 on fuel as prices have risen by 21% since April and £11,000 for support staff pay award.
- 2.6.3 **Ops P&P:** Underspend of £23,000 expected (previously £23,000). The underspend relates to staffing, due to delays in recruiting (£12,000), hydrants (£5,000) and specialist training and equipment (£26,000) 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 overspend of £12,000 is expected following a review of spend for the P21 closure report, including expected costs for rates, insurance and utilities at Haywards Heath. Previously reported underspend of £82,000 has been transferred to the Mobilising reserve to offset remaining project risks.
- 2.7 **Treasury Management:** This income budget is projected to overachieve by £15,000. Interest rates on investments reduced significantly following the reduction in the Bank of England base rate due to Covid-19, however the rate increased to 0.25% in December and then to 0.50% in February and this is having a knock on impact for our investments. 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 £15,000, an increase of £8,000 from the position at November.
- 2.8 **Non-Delegated Costs:** An overspend of £90,000 is projected. Overspend of £79,000 relates to ill health retirements (IHRs). These costs are spread over three financial years. These are not controllable costs and it is possible the pressure will increase as there may be one further IHR this financial year. Overspend of £25,000 relates to Procurement savings, which whilst achievable haven't yet been allocated to budget areas. These are offset by underspends of £14,000 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 £355,000 resulting in £52,000 remaining in contingency, as detailed in section 6
- 2.10 **Transfer to and from Reserves:** Expected to be on budget, the previous underspend of £136,000 expected as the contribution to the Improvement and Efficiency reserve has been reversed as there is no longer a pressure from the section 31 business rates. £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.

- 2.11 **Financing:** a pressure is identified of £23,000 as a result of the amounts paid for the Government's compensation scheme for council tax and business rates being lower than budgeted, the position has improved since P10 when a pressure of £50,000 was expected. An additional £75,000 is expected in relation to the section 31 grant, with £211,000 more expected relating to 20/21, offsetting the pressure of £136,000 expected on the 21/22 grant.

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 and it is anticipated £133,000 will be utilised to fund Covid 19 related spend this year.
- 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. A further £100,000 was allocated to this reserve from contingency following SLT approval.
- 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. A pay award of 1.75% has been agreed for green book staff at a cost of £119,000 and is included within the forecast position.
- 3.3.1 Following approval from SLT £117,000 held in an earmarked green book pay award reserve has been transferred back to the General Reserve.
- 3.3.2 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 has been resolved as part of the MTFP 2022/23+ process.
- 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.

- 3.5 **Utilities and Fuel Inflationary Increases:** There have been considerable inflationary rises in utilities and fuel costs, which have been exacerbated by the ongoing conflict in Ukraine. These budgets will be monitored closely with Estates and Engineering colleagues to ensure any pressure caused as a result is reported as early as possible.

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 £361,000 (71%) of savings. The IRMP implementation project has been re-profiled and planned savings are likely to underachieve by £93,000 whilst delays to the CRM project mean that administrative savings in Community Safety totalling £50,000 will also not be achieved this year as detailed in Appendix 2.

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, 2 and 3 grant returns have been submitted, 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 it is anticipated £133,000 will be utilised this year.
- 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 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 it is proposed this is funded from the BR Pool reserve as part of the budget report.
- 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, with payment made in March 2022.

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. This brought the total contingency amount available within 2021/22 to £407,000.
- 6.3 Commitments approved to date total £355,000, leaving a contingency balance of £52,000 at the end of February as detailed in the table below:

		£'000
Opening Balance 1 April 2021	Lead	341
Fuel and Transport Underspend agreed by SLT in August		39
Travel & Subsistence Underspend agreed by SLT in November		27
Available		407
Extension of Pension Adviser to 31/12/2021	JK	61
Pensions awareness training	JK	2
Finance Improvement Plan Resource	DS	62
HVP move to Seaford	DS	85
Extention of Pension Advisor to 31/03/2022	JK	30
GMP Data Transfer	DS	15
Transfer to Pension Admin Reserve for unfunded pension costs	DS	100
Total Commitments		355
Amount Remaining end February		52

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. The Fire Authority on 10 February 2022 approved the original 2022/23 and five year Capital Strategy, and in doing so, revised the 2021/22 Capital Budget and five year Capital Strategy 2021/22 to 2025/26 to the level of £25,327,000.
- 7.2 The Capital Programme is funded by: Capital Receipts Reserve £6,425,000, 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 £11,608,000 as shown in the table below. Overall, the revised 5 year Capital Programme is forecasted to come in underspent by £40,000, 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	2,253	3,522	2,105	1,763	1,599	11,242
Estates	429	3,729	3,719	2,878	2,779	13,534
Original Approved Programme	2,682	7,251	5,824	4,641	4,378	24,776
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	(40)	0	0	0	0	(40)
*Slippage into 2022/23	(511)	511	0	0	0	0
Updated Capital Programme	2,651	7,798	5,859	4,641	4,378	25,327
Funded by:						
Capital Receipts Reserve	2,452	3,848	125	0	0	6,425
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	0	289	0	0	289
MRP / Internal Borrowing	28	0	0	0	0	28
New Borrowing / Need to Borrow	0	0	4,493	3,689	3,426	11,608
Updated Capital Programme	2,651	7,509	5,859	4,641	4,378	25,038

- 7.3 **Capital Funding** – the sale of the old Fort Rd site in Newhaven to Lewes District Council proceeding with a 10% deposit received in 2020/21. The outstanding balance is not expected to be received until 2022/23 and is likely to be £75,000 lower than the original offer due to issues within planning permission. 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 £2,682,000 (Property £429,000 and Fleet and Equipment £2,253,000) including slippage of £364,000 brought forward from 2020/21, £71,000 IRMP related pool cars and vehicles, £85,000 for alterations to Seaford and £3,910,000 Slippage to 2022/23.
- 7.5 A review of the 2021/22 capital budget by officers has identified slippage to the value of £511,000 (19.2%). Fleet and Equipment are expecting slippage of £591,000, which is offset by Estates where it is expected £80,000 overspend will be carried forward into 2022/23. There is additional underspend of £40,000, as summarised in Appendices 5 and 6.
- 7.5.1 Estates / Property are expecting overspend of £80,000 to be carried forward, where spend is now expected to be incurred this year and slippage has already been processed following approval of the 2022/23 budget report.

7.5.2 The Fleet underspend is £646,000, of this £591,000 relates to slippage. Underspend of £55,000 is expected, £18,000 relates to duplicate budget for a van purchase and the remaining £37,000 relates to a review of spend. 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.

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 £6,137,000 compared to the original planned net drawdown of £9,972,000. This is a net reduction in drawdown of £3,835,000 resulting in an estimated balance at 31 March 2022 of £16,824,000 as summarised in the table below and detailed over individual reserves in Appendix 7.

		Original Planned Net Transfers	Forecast Net Transfers	Net change	Month 11
	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)	(3,638)	1,025	11,335
General Fund	1,960	210	(47)	(257)	1,913
Total Revenue Reserves	16,933	(4,453)	(3,685)	768	13,248
Total Capital Reserves	6,028	(5,519)	(2,452)	3,067	3,576
Total Usable Reserves	22,961	(9,972)	(6,137)	3,835	16,824

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 reduction in forecast drawdown from reserves of £3,835,000 are as follows:

8.5.1 **Earmarked Reserves – Decrease of £1,025,000**

- £480,000 – share of Business Rates Pool, based on the latest pool monitoring
- (£494,000) – 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.)
- £100,000 - reduced commitments on the Improvement and Efficiency Reserve

- (£1,072,000) - re-profiling of projects linked to P21 funded from the Mobilising Strategy Reserve
- (£300,000) - 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
- £50,000 – decision not to fund Demand Reduction Manager
- £60,000 – return to People Strategy reserve in relation to Appraisals, HR Intelligence and Staff Survey
- £347,000 – delayed drawdown from Sprinklers Reserve
- £100,000 – Contribution from contingency to the Pension Admin reserve towards unfunded future costs
- £836,000 – Transfer into the S31 Business Rates Retention Reserve
- £225,000 – Transfer into the Capital Programme Reserve net rates rebate received following rates revaluation across estate

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 £3,067,000

- (£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).
- £3,462,000 – due to slippage of capital projects into 2022/23
- £40,000 – due to expected underspend on Engineering capital projects

9. **BORROWING AND INVESTMENT**

9.1 As at end February, the Authority held cash balances of £20,640,000 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	0.30
DB Money Market Fund	Overnight Access	4.000	0.31
Aviva Money Market Fund	Overnight Access	1.640	0.28
Barclays	95 Day Notice	4.000	0.55
Natwest	35 Day Notice (called to return 24/03)	2.000	0.20
Santander	95 Day Notice	4.000	0.45
Standard Chartered	Fixed to 25/05/22	1.000	0.29
Total Investments		20.640	

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 £6.362m means 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 increased the base interest rate to 0.50% from 0.10%, with increases in December and February. The rate had been reduced to previously in order to invigorate the economy due to the impact of Covid-19. We are seeing an impact as Banks increase their rates on investments, resulting in slightly higher levels of interest receivable. Latest modelling indicates the income of around £55,000 can be achieved, £15,000 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.