

EAST SUSSEX FIRE AUTHORITY

Meeting	Policy and Resources Panel
Date	21 July 2022
Title of Report	Revenue and Capital Budget 2021/22 and Capital Programme 2021/22 to 2025/26 – Provisional Outturn
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 11 (end February).
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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	
FINANCIAL	✓	POLITICAL	
HEALTH & SAFETY		OTHER (please specify)	
HUMAN RESOURCES		CORE BRIEF	

PURPOSE OF REPORT	To report on the 2021/22 Revenue Budget and the Capital Programme 2021/22 to 2025/26 provisional outturn.
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EXECUTIVE SUMMARY This is the sixth report to Members for the 2021/22 financial year and highlights the Provisional Outturn on the Revenue Budget 2021/22 and the 5 year Capital Programme, approved by the Authority in February 2021 and the revised Capital Budget approved February 2022. It should be noted the provisional outturn is based on currently available information and is subject to External Audit.

The provisional outturn is a net revenue underspend of £20,000 which is a reduction in underspend of £244,000 from the position identified in the last report to this Panel of SLT of £264,000 underspend, as summarised in Appendix 1.

The underspend can be largely be attributed to underspends in relation to:

- IT consultancy, software and licences (£406,000)
- Maintenance & improvement work (£370,000)
- Support staff vacancies across the service (£219,000)
- Training (£194,000)
- Income from Vehicle sales (£84,000)
- Engineering maintenance & equipment (£79,000)
- On-call pay (£69,000)

offset by the following:

- Overtime (including training) (£425,000)
- Hired & contracted services within Estates (£244,000)
- Wholtime staff costs, due to being over establishment (£208,000)
- Unbudgeted Support staff pay award (£118,000)
- Firefighter recruitment (£98,000) – costs incurred ahead of budget plan
- Cleaning & utilities (£90,000)
- Training Centre staff costs (£75,000)
- Ill health retirements (£79,000)
- Consultancy and Equipment within Training (£69,000)
- Unachieved and unallocated savings (£75,000)

There are a number of smaller overspends and underspends across the Service.

The movement of £322,000 from the position reported at P11 can largely be attributed to:

- An increase in overtime and on-call costs (£178,000)
- An increase for overtime for part time workers adjustment (£25,000)
- Increases where mis-codings meant that spend was not correctly included within the forecast (£117,000)
- Increase due to funding (£85,000)

- A reduction in forecast Occupational Health recharges (£56,000)

Actual savings achieved were £356,000 compared to the Savings Programme of £504,000, with the gap of £148,000 funded by underspends across the Service. £98,000 relates to IRMP implementation, for which a re-baselined financial profile has been approved by the Fire Authority and Safer Communities savings of £50,000 which were not delivered in year due to an extended timeline for delivery of some phases of the CRM project. 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. £3 million is carried forward in earmarked reserves and spending plans are being developed for future years. The main components are:

- ESMCP Infrastructure Grant (£1.425m)
- S31 Grant - Business Rates Retention (£0.906m)
- Protection Grants (£0.232m)
- ESMCP – LTR Regional Grant (£0.163m)

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 additional pressures in 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.

The provisional capital outturn is an underspend of £788,000. Slippage amounts to £933,000 (Estates £145,000 / Fleet & Equipment £788,000) and Estates have incurred spend in advance of £203,000. Fleet & Equipment are additionally reporting underspend of £64,000, offset by a small overspend within Estates of £6,000. 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 net revenue underspend 2020/21 brought forward of £386,000. The provisional net drawdown from reserves is £3,778,000, a reduction in drawdown of £6,194,000 compared to the planned drawdown of £9,972,000. This results in a provisional closing balance of £19,183,000. The reduction can largely be attributed to slippage of the capital programme, where drawdown was £4,118,000 lower than anticipated. However there were a number of other movements, as detailed in section 8 and summarised in Appendix 7.

There is a reduction in the interest receivable on the Authority's cash investments of £18,400,000 compared to previous years, due to the Bank of England (BoE) lowering its' base rates to invigorate the economy due to the impact of Covid-19. During the year, however, the BoE base rate increased from 0.1% to 0.75% which resulted in interest income of £58,000 being earned, a surplus of £18,000 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 provisional 2021/22 Revenue Budget outturn;
- (ii) the provisional Capital Programme outturn, including the slippage amount and spend incurred in advance;
- (iii) the net drawdown from reserves during the year;
- (iv) the savings delivered in 2021/22;
- (v) cash balances invested at year end and borrowing repaid;

Policy and Resources Panel is recommended to approve:

- (vi) approve the outturn underspend of £20,000 is transferred to the Improvement & Efficiency reserve
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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 sixth report to Members for the 2021/22 financial year and highlights the provisional outturn on the Revenue Budget 2021/22 and Revised Capital Budget 2021/22 and Capital Programme 2021/22 to 2025/26. It should be noted the provisional outturn is based on currently available information and is subject to External Audit.

	This P&R (Provisional Outturn) £'000	Last P&R (Month 11) £'000	Movement £'000
Revenue (see section 2)	(20)	(264)	244
Capital in year (see section 7)	(788)	(551)	(237)

- 1.3 The Revenue Budget approved by the Fire Authority in February 2021 was a net expenditure requirement of £40,704,000
- 1.4 The provisional outturn is a net underspend of £20,000 which is a reduction in underspend of £244,000 to that previously reported (£264,000 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 was £504,000. The total savings delivered totalled £356,000 (71%). IRMP implementation has been reprofiled and savings have underachieved by £98,000, there will be an ongoing impact on IRMP savings into 2022/23 (which is reflected in the latest MTFP). Safer Communities savings of £50,000 linked to the introduction of new processes through the CRM project were not delivered in the current financial year (but are now expected in 2022/23).
- 1.6 The grants available total £7.32m, including grants brought forward from previous years, of which a total of £4.3m was spent in the current year. Grant returns for the year have been submitted, 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 five year Capital Programme is projected to underspend by £58,000 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 £3,910,000 slippage to 2022/23. The provisional outturn is underspend of £788,000 and includes slippage of £933,000, spend in advance of £203,000 and underspend of £58,000 is reported on completed projects (Fleet & Equipment £64,000 offset by overspend within Estates of £6,000), 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 and these will continue to be monitored throughout 2022/23. 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 provisional outturn is an overall underspend of £20,000 (previously £264,000 underspend). This is an adverse variation of £244,000 from the forecast position reported at P11. This is summarised across divisions in Appendix 1 and detailed explanations are provided below.

2.2 **People Services:** The provisional outturn is an overspend of £223,000 as follows:

2.2.1 **HR:** The provisional outturn is a £40,000 overspend (previously forecast £96,000 overspend). The overspend can be attributed to DCFO recruitment (£25,000) and the staff pay award (£16,000). The reduction in overspend of £56,000 relates entirely to Occupational Health based on revised information provided by our collaboration partners, the forecast reported at P11 was based on a worst case scenario. £60,000 has been transferred to the People Strategy reserve in relation to spends not incurred in 2021/22 on staff survey (£10,000), HR Intelligence (£10,000) and appraisals (£40,000).

2.2.2 **Health & Safety:** The provisional outturn is an underspend of £2,000 (previously forecast £2,000 overspend). This is due to a number of small overspends and underspends within the department and incorporates £4,000 staff pay award. The movement of £4,000 from the previously reported position can be attributed to the equipment spend.

2.2.3 **Training:** The provisional outturn is an overspend of £185,000 (previous forecast £116,000 overspend). The overspend relates to firefighter recruitment (£98,000), overtime (£113,000), staff (£75,000) including £9,000 for staff pay award, equipment (£42,000), consultancy (£26,000), loss of income (£9,000) and catering (£19,000), offset by underspend on training (£194,000) and other small variances across the department (£3,000). The variance from the position reported at P11 is due to staff costs which had not correctly been captured in the forecast. The cost of firefighter recruitment has been incurred earlier than expected and funded from service underspend during 2021-22, budgets in 2022-23 will be adjusted accordingly. £10,000 has been transferred to the People Strategy reserve in relation to grievance training which was funded from existing budgets.

2.3 **Resources/Treasurer:** The provisional outturn is an underspend of £585,000 as follows:

2.3.1 **AD Resources/Treasurer:** The provisional outturn is an overspend of £13,000 (previous forecast £2,000 overspend). This relates to an overspend in pay, due to the pay award and incorrect budgets for NI and pension contributions and an overspend on legal services.

2.3.2 **Estates:** The provisional outturn is an underspend of £99,000 (previous forecast £29,000 overspend). Underspends on staff (£34,000), maintenance & improvement works (£370,000), rents & rates (£51,000) and offset by overspends on utilities (£54,000), cleaning costs (£26,000), underachieved income (£19,000), hired and contracted services (£244,000) and small overspends across the department (£12,000). The outturn was difficult to forecast accurately at P11 due to the number of outstanding commitments on the system.

Net Business Rates rebates totalling £293,200 have been transferred to the capital programme reserve to support potential pressures on the Estates capital scheme costs as a result of supply chain disruption and the requirement to install temperature management solutions in our 5 wholetime stations.

2.3.3 **ITG:** The provisional outturn is an underspend of £405,000 (previous forecast £378,000 underspend). There are a number of underspends, including on consultancy and various software & licences, primarily due to delays in rollouts and changes as a result of P21.

2.3.4 **Finance:** The provisional outturn is an underspend of £60,000 (previous forecast £62,000 underspend). The underspend can be attributed to audit fees (£54,000) and other expenses (£8,000), offset by other small overspends across the department.

2.3.5 **Procurement:** The provisional outturn is an underspend of £34,000 (previously forecast £7,000 underspend). Underspends relate to uniform (£25,000) and a 0.5 Category Assistant vacancy, offset by pay award and pension pressures.

2.4 **Planning and Improvement:** The provisional outturn is an underspend of £43,000 as follows:

2.4.1 **Communications:** The provisional outturn is an overspend of £27,000 (previously forecast £17,000). The overspend can be attributed to pay (£16,000), including maternity cover, a shortfall against the pension contribution budget & staff pay award and printing costs (£9,000). The increase in overspend can largely be attributed to printing where spend of £9,000 hadn't been captured in the previous forecast.

2.4.2 **Performance:** The provisional outturn is an underspend of £7,000 (previously forecast £9,000 underspend) in relation to consultancy (£10,000), subscriptions (£4,000) offset by pension contributions (£7,000).

2.4.3 **PMO:** The provision outturn is an underspend of £44,000 (previously forecast £25,000 underspend) in relation to vacancies within the department offset by agency staff costs.

2.4.3 **Cost of Democracy:** The provisional outturn is an underspend of £19,000 (previous forecast £14,000 underspend). This relates to vacancies within the department (£6,000), members' allowances, conferences & travelling, room hire (£5,000) and other small underspends across the department.

2.5 **Safer Communities:** The provisional outturn is an overspend of £463,000 (previous forecast £197,000 overspend). This is shown across Areas in the table below:

Area	Budget	Provisional outturn	Variance	Month 11 Variation	Variance Change
	£'000	£'000	£'000	£'000	£'000
AD Safer Communities	114	141	27	(4)	31
Flexible Crewing Pool	250	0	(250)	(250)	0
IRMP	142	135	(7)	(37)	30
Central	5,378	5,589	211	140	71
West	7,598	7,975	377	343	34
East	5,486	5,553	67	25	42
Protection	1,724	1,632	(92)	(121)	29
Prevention	909	1,039	130	101	29
Total Safer Communities	21,601	22,064	463	197	266

- 2.5.1 **AD Safer Communities:** The provisional outturn is an overspend of £27,000 (previous forecast £4,000 underspend). The overspend is due to an adjustment made in relation to a past liability relating to overtime for part-time workers (£35,000) offset by an underspend on AD pay (£9,000), with other small variances across the budget. The additional spend since P11 can largely be attributed to the overtime for part-time workers adjustment.
- 2.5.2 **Flexible Crewing Pool:** The provisional outturn is an underspend of £250,000 as the IRMP crewing pool positions were not recruited to during 2021/22, this is offset by staffing overspends elsewhere within Safer Communities.
- 2.5.3 **IRMP:** The provisional outturn is an underspend of £7,000 (previous forecast £37,000 underspend). The underspend relates to staff costs for the IRMP implementation team. The reduction of £30,000 relates to the amount set aside as funding for a Project Manager, which has been returned to the Improvement & Efficiency reserve for use in 2022/23.
- 2.5.4 **East, Central and West Groups:** The provisional outturn across the groups is an overspend of £655,000 (previous forecast £508,000 overspend). The overspend can be attributed to posts being over-establishment during the year as well as additional overtime costs being incurred due to challenges in crewing due to absences. These are offset by underspends in relation to on-call and equipment. The outturn position is £147,000 greater than that forecast at P11 as the forecast did not previously take into account that overtime and on-call operational and ancillary costs are paid in arrears.
- 2.5.5 **Protection:** The provisional outturn is an underspend of £92,000 (previous forecast £121,000 underspend). This is attributable to vacancies within the department, which are now filled and offset in part by an underachievement of £10,000 on Primary Authority income against the agreed target of £19,000. The movement from P11 forecast is due to costs incorrectly posted against the Protection grant not being included in the forecast.

- 2.5.6 **Prevention:** The provisional outturn is an overspend of £130,000 (previous forecast overspend £101,000). Overspend relates their un-achievable saving for CRM (£50,000 – as detailed in Appendix 2) and staff costs (£65,000) including recruitment of additional temporary staff to cover maternity leave and long term sick leave. The increase from the P11 forecast is largely due to £25,000 of the CRM saving being coded to the incorrect budget. A £5,000 donation received for Cadets has been transferred to an earmarked Cadets reserve.
- 2.6 **Operational Support & Resilience:** The provisional outturn is an underspend of £123,000 as follows:
- 2.6.1 **AD OSR:** The provisional outturn is an overspend of £1,000 (previously forecast £1,000 overspend). Overspend on overtime for FBU representatives (£6,000) is offset by underspends in relation to pay (£4,000) and equipment (£1,000).
- 2.6.2 **Engineering:** The provisional outturn is an underspend of £114,000 (previously forecast £189,000 underspend). This relates to additional income for vehicle sales (£84,000), maintenance (£17,000) and equipment as the budget is based on an obsolete equipment replacement programme (£79,000). These are offset by an overspend of £28,000 on fuel as prices have risen by 21% in past year and £11,000 for support staff pay award. The outturn was difficult to forecast accurately at P11 due to the number of outstanding commitments on the system.
- 2.6.3 **Ops P&P:** The provisional outturn is an underspend of £23,000 (previously forecast £23,000 underspend). The underspend position relates to staffing, due to delays in recruiting (£12,000), hydrants (£5,000) and specialist training & equipment (£26,000) offset by the Logistics & Control Support Team (previously Resource Management Team) receiving 10% allowances from 1 September (£14,000) and the staff pay award (£6,000).
- 2.6.4 **Control Room:** The provisional outturn is an overspend of £13,000 (previously forecast £12,000 overspend). The overspend can be attributed to overtime costs. This overspend is largely offset by a transfer of £12,000 from the mobilising reserve, reported separately within the transfer to/from reserves section.
- 2.7 **CFO:** The provisional outturn is an overspend of £6,000. (previously forecast on budget). Overspend on staff costs (£15,000) due to staff pay award and DCFO overlap in December is offset by underspends on accommodation, allowances and subsistence (£9,000).
- 2.8 **Treasury Management:** The provisional outturn is a net surplus of £22,000. This relates to interest received and bank charges. Interest rates on investments reduced significantly following the reduction in the Bank of England base rate due to Covid-19, and the budget was reduced accordingly. However the rate increased from 0.10% to 0.75% through the year therefore delivering additional income. Levels of cash for investment were also higher due the reduced drawdown from reserves.
- 2.9 **Non Delegated Costs:** The provisional outturn is an overspend of £91,000 (previous forecast £90,000 overspend). Overspend of £78,000 relates to ill health retirements (IHRs), where costs are spread over three financial years. Overspend of £25,000

relates to Procurement savings, which whilst achieved weren't allocated to budget areas during the year. These are offset by underspends of £12,000 in relation to compensation and unfunded pensions.

- 2.10 **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 increased to £407,000 during the year following approvals by SLT. Approved pressures total £355,000 resulting in £52,000 remaining in contingency, as detailed in section 6.
- 2.11 **Transfer to and from Reserves:** The provisional outturn is an overspend of £895,000 (previously forecast to be on budget). £906,000 S31 grant, with income reported in funding, has been transferred to reserves, with £12,000 transferred from reserves, largely offsetting the overspend reported within Control Room.
- 2.12 **Financing:** The provisional outturn is additional funding of £873,000. £901,000 relates to S31 grant, with additional income received relating to 2020/21, offsetting the pressure expected in 2021/22, a further £906,000 expected for 2021/22 is included within the transfer to reserves for release in 2022/23. £22,000 additional was received in respect of business rates. There were pressures of £24,000 for the council tax and business rate TIG grants and £27,000 in relation to collection fund deficit, when compared to budgets set.

3. **REVENUE BUDGET AND CAPITAL PROGRAMME RISKS**

- 3.1 **Covid 19:** Covid 19 continued to impact on the Authority's finances during 2021/22 where the impact on both the Business Rate and Council Tax Collection Funds was felt, with partial compensation from Government grants. £133,585 was drawn down from the Covid 19 reserve to cover costs incurred during the year mainly overtime and purchase of PPE. Additional grant funding of £59,408 was received towards the end of the financial 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. Further legal action from those affected by the pause in processing cases under the Immediate Detriment Framework is also expected. A Pensions Administration Reserve of £190,000 is held at year end.
- 3.3 **Pay Award 2021/22:** Negotiations concluded between unions and pay awarding bodies resulting in 1.5% pay award for staff on gold and grey book terms and conditions, at a cost of £257,000 and has been fully funded from general fund reserve. A pay award of 1.75% was agreed for green book staff at a cost of £118,000 funded through service underspends.

- 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 has been resolved as part of the MTFP 2022/23+ process.
- 3.4 **Potential Capital Project Cost Increases:** The impact of worldwide supply chain disruption is impacting on 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 evident as we move planned projects through procurement to delivery during 2022/23.
- 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 continue to 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.
- 4.2 The provisional outturn shows that we have delivered £356,000 (71%) of savings. The IRMP implementation project has been re-profiled and planned savings have underachieved by £98,000 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. These were funded in year by service underspends.

5. Grants and Fees & Charges Income Compensation Scheme

- 5.1 The Government has awarded grants for specific purposes and these have been spent in accordance with grant conditions. These include grants awarded in year, brought forward from previous years where the spending plans cover more than one financial year and others that require development of spending plans. Actual grant spend in 2021/22 was £4.253m against grants held of £7.276m, leaving a balance carried forward in reserves on £3.023m at year end.
- 5.2 The latest grants are detailed below:
- 5.2.1 **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 £133,585 was utilised this year. A further £59,408 was received towards the end of the year and has been carried forward in a grants reserve.
- 5.2.2 **Surge Protection Grant Funding:** – this is specifically to deal with inspections for high rise buildings and other high-risk buildings and a wider investment in protection capacity in advance of new legislation. 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. A total

of £471,515 was spent 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 has been provided from the Business Rate Pool Reserve.

- 5.2.3 **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. £42,000 was spent in year leaving £5,000 held in a reserve.
- 5.2.4 **Fire Fighter Pension Scheme:** this is used towards the shortfall in employer's pension contributions and £1.7m has been received.
- 5.2.5 **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 been submitted, with payment received in March 2022. This is credited direct to the relevant cost centres and is not included in Appendix 3.

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 This increased by £66,000 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 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 March 2022		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 to £2,682,000 and five year Capital Strategy 2022/23 to 2026/27 to the level of £25,183,000.
- 7.2 The Capital Programme is funded by: Capital Receipts Reserve £6,425,000, Capital Programme Reserves £4,787,000, Revenue Contributions to Capital £1,815,000, BR Pilot Economic Reserve £86,000, Community Infrastructure Levy (CIL) £289,000, Internal Borrowing £28,000 and New Borrowing £11,325,000 as shown in the table below. Overall, the revised five-year Capital Programme is forecasted to come in underspent by £21,000, 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
Underspend	(21)	0	0	0	0	(21)
*Slippage into 2022/23	(767)	767	0	0	0	0
Updated Capital Programme	1,894	8,018	5,824	4,641	4,378	24,755
Funded by:						
Capital Receipts Reserve	1,773	4,279	373	0	0	6,425
Capital Programme Reserve	0	3,287	500	500	500	4,787
Revenue Contributions to Capital	7	452	452	452	452	1,815
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	4,210	3,689	3,426	11,325
Updated Capital Programme	1,894	8,018	5,824	4,641	4,378	24,755

- 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 The provisional 2021/22 capital outturn is an underspend of £788,000. This comprises slippage of £933,000, spend in advance of £203,000 and underspend of £58,000 on completed works as detailed in Appendix 5.
- 7.5.1 The Estates provisional 2021/22 capital outturn is an overspend of £64,000. Slippage of £145,000 will be carried forward and spend in advance of £203,000 will be offset against future budget. An overspend of £6,000 relates to a small number of retentions for completed works.
- 7.5.2 The Fleet provisional capital outturn is an underspend of £852,000 as detailed in Appendix 6. This comprises of slippage of £933,000 due to worldwide supply chain issues and underspend of £65,000 in related to completed purchases.

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 was £22,961,000 including the net underspend 2020/21 of £386,000 brought forward in an earmarked reserve.
- 8.3 The net drawdown from reserves totals £3,799,000 compared to the original planned net drawdown of £9,972,000. This is a net reduction in drawdown of £6,173,000 resulting in a provisional closing balance at 31 March 2022 of £19,161,000 as summarised in the table below and detailed over individual reserves in Appendix 7.

	Balance at 1 April 2021 £'000	Original Planned Net Transfers 2021/22 £'000	Actual Net Transfers 2021/22 £'000	Net change 2021/22 £'000	Closing Balance at end March 2022 £'000
Earmarked Reserves	14,972	(4,663)	(1,999)	2,664	12,973
General Fund	1,960	210	(47)	(257)	1,913
Total Revenue Reserves	16,932	(4,453)	(2,046)	2,407	14,886
Total Capital Reserves	6,028	(5,519)	(1,773)	3,746	4,255
Total Usable Reserves	22,960	(9,972)	(3,819)	6,153	19,141

- 8.4 The net changes are explained in section 8.5 below.
- 8.5 The main reasons for the overall net reduction in forecast drawdown from reserves of £6,194,000 are as follows:
- 8.5.1 **Earmarked Reserves – Decrease of £2,664,000**
- £568,000 – additional income from share of Business Rates Pool, based on the latest pool monitoring
 - £50,000 – decision not to fund Demand Reduction Manager
 - £371,000 – Transfer into the Capital Programme Reserve in respect of the net business rates rebate and contribution from contingency to fund additional work at Seaford to house the High Volume Pump
 - (£42,000) – 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.)
 - £713,000 – delayed drawdown to future years on ESMCP readiness reserve
 - £272,000 - reduced commitments on the Improvement and Efficiency Reserve

- (£1,542,000) - re-profiling of projects linked to P21 funded from the Mobilising Strategy Reserve
- (£228,000) - use of provisional net underspend 2020/21 brought forward in Carry Forward reserve on in-year priorities
- £120,000 – allocation of CRM funding from Protection grant to IT Strategy reserve
- £909,000 – reduced drawdown of ITG Strategy reserve
- £70,000 – return to People Strategy reserve in relation to Appraisals, Grievance training, HR Intelligence and Staff Survey not required / delayed to future years
- £347,000 – drawdown not required from Sprinklers Reserve following review of use
- £143,000 – Contribution from contingency/underspend and additional grant to the Pension Admin reserve towards unfunded future costs
- £906,000 – Transfer into the S31 Business Rates Retention Reserve – grant due in 2021/22 but to be received and applied in 2022/23
- £5,000 – Transfer of donation to Cadets Reserve

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

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

8.5.3 **Capital Reserves – Decrease of £3,746,000**

- (£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).
- £4,160,000 – due to slippage of capital projects into 2022/23
- £21,000 – due to expected underspend on capital projects.

9. **BORROWING AND INVESTMENT**

9.1 As at end March, the Authority held cash balances of £18,400,000 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	0.51
DB Money Market Fund	Overnight Access	4.000	0.50
Aviva Money Market Fund	Overnight Access	1.400	0.51
Barclays	95 Day Notice	4.000	0.80
Santander	95 Day Notice	4.000	0.55
Standard Chartered	Fixed to 25/05/22	1.000	0.29
Total Investments		18.400	

- 9.2 During the financial year, the Bank of England increased the base interest rate from 0.10% to 0.75% (increases in December, February and March). The rate had been significantly reduced to 0.10% 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. Interest income of £58,000 was earned at an average interest rate of 0.26%, £18,000 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.
- 9.3 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.