

REPORT AUTHOR: ASSISTANT CHIEF OFFICER / FRA TREASURER

SUBJECT: 2022/23 REVENUE BUDGET AND CAPITAL PROGRAMME MONITORING as at 31st October 2022

For further information on this Report contact: Gavin Chambers, ACO/FRA Treasurer

Background Papers: 2022/23 FRA Budget Setting Papers February 2022

PURPOSE:

To inform the Fire and Rescue Authority of the forecast year-end budget monitoring position as at 31st October 2022.

Recommendations:

1. That the FRA consider and comment on the updates provided within this report.
2. That the FRA note the request to bring forward of £300k capital spend on Thermal Imaging Cameras from 2023/24 into 2022/23 (see para 3.4.3).
3. That the FRA note the potential unbudgeted increase for both Grey and Green Book pay awards built into the salaries forecast in table 2 and use of an Earmarked Reserve to fund these. (also para 2.3.76)
4. That members note the updated inflationary pressure on contracts inflation & Derv costs which has increased from a forecast above the estimated budgeted costs of £43k from the last monitoring report. (para 2.3.4)
5. That members note the increase in forecast income from investments from (£135k) above budget reported at the end of July 2022 to (£215k) as at the end of October due to greatly improved rates available on investments. (para 2.3.4)
6. That members note the expected saving against budgeted costs on National Insurance (NI) of (£50k) as a result of the recent announcement to cancel the employers NI rate from 15.05% back to 13.80% as of beginning of November.

Executive Highlights Summary

- The 3 year **CSR** review was announced in December 2021 however the Authority only received a 1 year settlement for 2022/23.

- The service has received a further £392k relating to Section 31 Business Rates relief above the amount which was included in the budget in February 2022, it was agreed that this be used to offset the forecast inflationary pressures (see para 2.3.4)
- Pay awards for both Grey Book and Green Book have been built into the 2022/23 base budget @ 4%. The Green book pay award has recently been agreed at £1,925 on each pay grade rather than a flat 4% increase leading to an increase of £129k above the budgeted annual amount. The Fire Brigades Union (FBU) members recently voted to reject this offer and the FBU will now ballot their members on potential industrial action with the ballot closing on January 23rd 2023. (see para 2.3.6) The forecast pay for operational areas (Whole Time, Retained & Control) in table 2 below has been assumed at a flat rate of £1,900 for each grade which is in line with other blue light services. It has been agreed by FRA to use of the existing Pay/Pension Earmarked reserve to fund the unbudgeted pay awards.
- The service has been notified that the Firelink Grant (which offsets the cost of the response radio contract costs) will be £50k less than budgeted. It will also reduce by 20% each year, but should be reflected by an increase in grant income.
- The Home Office has informed the service that we will receive an unbudgeted Protection grant of £153k in 2022/23. Further to this our local authority partners have agreed a further £82k in funding, towards the Dementia pilot.
- As a result of recent UK wide high inflation rate announcement and forecasted ongoing inflationary pressures there is a potential unbudgeted cost from an increase in the price of Derv, gas, electric and other service contracts of £368k. (see para 2.3.4)

1. Introduction

- 1.1 On 10 February 2022, the Fire and Rescue Authority (FRA) approved a Revenue Budget Requirement for 2022/23 of £33.393m and a Capital Programme of £1.357m.

2. Revenue Budget Monitoring

- 2.1 The Revenue Budget efficiency savings for 2022/23 can be found in Appendix 1. The budgets have been reduced for these areas and will be monitored during the year.
- 2.2 The funding of the 2022/23 Revenue Budget is by way of Government Funding £6.858m, local Business Rates redistribution £2.300m, a one off revenue grant for 2022/23 of £0.410m and Council Tax of £23.401m, Collection Fund surplus of £0.378m which have been reported by our Local Authority partners and the use of the collection fund reserve of £46k.

2.3 **Forecasting Outturn:**

2.3.1 Tables 1 and 2 below are populated during the year in line with the spreadsheet returns that Corporate Management Team (CMT) members submit to the Finance Team and through the meetings that Finance Officers have with CMT members. The forecast outturn positions are as accurate as the information received from each CMT member.

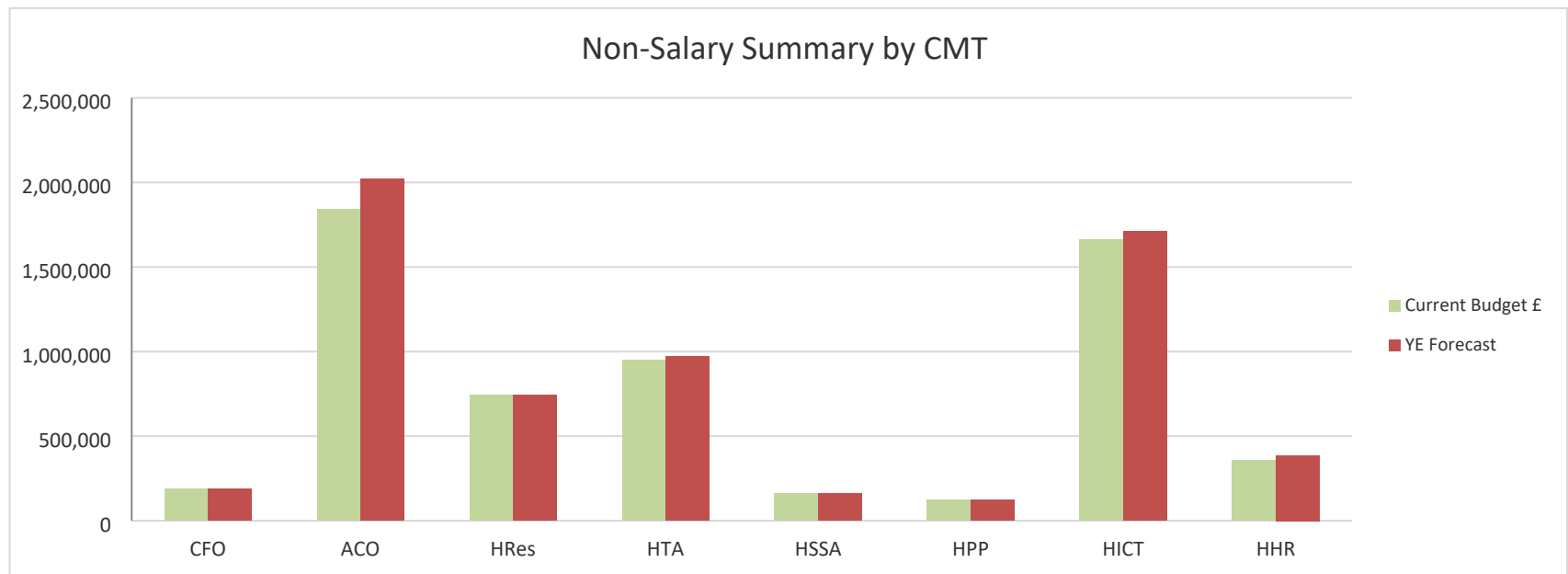
2.3.2 Table 1 below details the current budget excluding salary budgets, for each CMT service area. The forecast year-end outturn is shown in column three.

2.3.3 Table 1: 2022/23 Revenue Budget Forecast Outturn (excluding salary budgets)

Title	Area	Current Budget £	F/cast Yr-End Outturn £	Variance £	RAG status (see note below**)
Strategic Management	Management	189,400	189,400	0	Green
Assistant Chief Officer (ACO)	Income, Capital & Year End	1,380,600	1,194,000	(186,600)	Green
	Corporate Support	459,700	827,700	368,000	Green
Head of Response (HRes)	Operational	741,700	741,700	0	Green
Head of Training and Assets (HTA)	Training	419,900	419,900	0	Green
	Technical/Workshops	211,600	231,600	20,000	Green
	Corporate Support	320,100	320,100	0	Green
Head of Strategic Support and Assurance (HSSA)	Media & Comms	34,650	34,650	0	Green
	Organisation Assurance	127,800	127,800	0	Green
Head of Prevention and Protection (HPP)	Partnership Working	(60,100)	(60,100)	0	Green
	Prevention	176,300	176,300	0	Green
	Protection	8,600	8,600	0	Green
Head of Information Communications Technology (HICT)	ICT	1,451,250	1,501,250	50,000	Green
	ICT Projects	211,000	211,000	0	Green

Head of Human Resources (HHR)	Human Resources	211,400	241,400	30,000	Green
	Occupational Health	145,500	145,500	0	Green
Total		6,029,400	6,310,800	281,400	
Use of Business Rates Income				(392,000)	
Revised Outturn Variance				(110,600)	

****RAG Status:** Red would identify where there is a large overspend equal to or greater than £100,000 and/or a key service aspect was not being delivered. Amber would identify where there is a possibility of an overspend and/or a key service aspect may not be delivered. It may be that there are action plans in place to address an issue, where until they are successful it is flagged as Amber. Green identifies where service delivery is being performed and as above, where there are underspends. Underspends are not necessarily always green, if for example, there was a key service aspect not being delivered causing the underspend, it would be shown as Red.



2.3.4 The variances shown in Table 1 and graph above as at 31st October 2022 are;

The forecast underspend (£187k) within the ACO area (Income, Capital & Year End) above is a result of;

A forecast increase for investment income to (£280k), this is (£215k) above the budgeted income of (£65k). The finance team are constantly monitoring the rate of returns available and also the opportunities to invest in more “ethical / green” investments and as

a result of this we have recently placed further investments with a counterparty in one of their Environmental, Social and Governance (ESG) investment areas, the rate of return on this investment was comparable with the rates available on our other available investments.

This extra income has been partially offset by a budgeted rebate from FRIC (£40k) due to an apportioning of releasable reserves built up over a number of years, FRIC Directors however decided to take a more prudent approach and spread the rebates over a number of years and so the service has received only (£12k) in 2022 with the remaining £28k income expected over the next 2 years.

The (£392k) unbudgeted income relating to Section 31 Business Rates relief is also contained within this area.

The forecast overspend £368k within the ACO area (Corporate Support) above is a result of a number of inflationary pressures were built into the 2022/23 budget which was agreed by the FRA in February, general inflation for utilities, contracts, supplies and services was included at a rate of 4%, Derv was budgeted at a cost of £1.45 / ltr. Since then due to worldwide economic pressures and the war in Ukraine the UK CPI inflation in October is at 11.1% and it is expected to remain high for the remainder of the financial year. The total amount of inflation contained within the budget for 2022/23 was £159k, it is currently forecast that there will be an extra pressure of £343k above the budgeted figure as a result of inflation for utilities £110k, contracts, supplies and services £198k with inflation based on an average of 9.5% for the remainder of the financial year and Derv £60k based upon a price of £1.70 / ltr. All of these overspends £368k are currently captured within the ACO (Corporate Support) area, work is ongoing to identify which CMT area these pressures.

The predicted £20k overspend within the HTA area above is as a result of an under achievement of income from expected in year vehicle sales of £40k where the vehicles have temporarily been repurposed across the service, it is expected that these sales will now be achieved in 2023/24. This has been offset by an expected overachievement against budgeted income (£20k) relating to the servicing of vehicles for our blue light partners.

The £50k overspend forecast within the HICT is as a result of the reduction in Firelink grant allocation which the authority has been notified will be £50k less than budgeted.

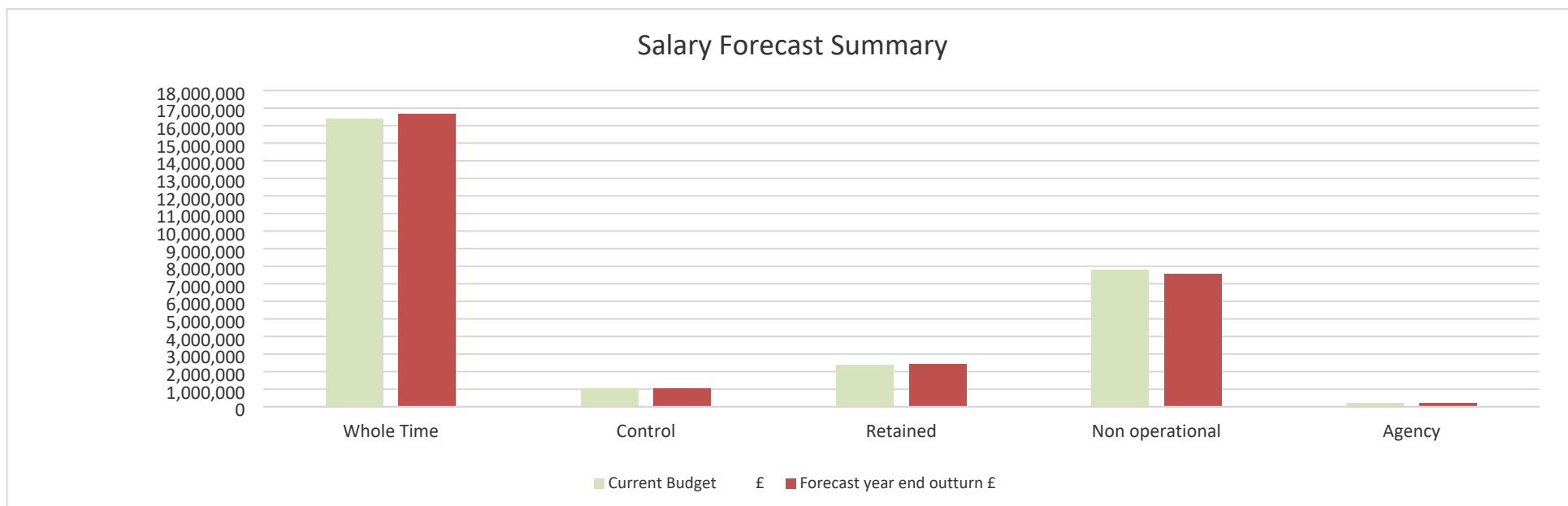
The £30k overspend noted in HHR area is as a result of legal advice within a number of work streams.

The unbudgeted Business Rates income of £392k will be allocated to offset both the in-year inflationary pressures and reduction in ICT Firelink grant as identified above.

2.3.5 With the salary budgets being such a large proportion of the overall budget, the split from the budgets above is justified.

Table 2: 2022/23 Salary Budget Forecast Outturn

Category	Current Budget £	YTD Actuals £	Forecast year end outturn £	Variance £
Whole Time	16,378,000	9,206,212	16,643,000	265,000
Control	1,032,000	680,502	1,057,000	25,000
Retained	2,373,900	1,291,151	2,407,900	34,000
Non operational	7,771,000	4,086,779	7,567,500	(203,500)
Agency	197,700	157,207	197,700	0
Grand Total	27,752,600	15,421,851	27,873,100	120,500
Proposed use of Earmarked Reserve				(120,500)
Revised Outturn				(0)



2.3.6 The forecast overspend within the Operational areas (Whole Time, Retained & Control) in table 2 above are as a result of the potential unbudgeted pay awards above the 4% included within the current budgets of £371k. Firefighters have been offered a 5% pay award, however, the Fire Brigades Union (FBU) have recently announce the result of a ballot in which members voted to reject the offer. Unions are will now be balloting their members on potential industrial action, the ballot will open on 5 December

2022 and close on 23 January 2023. The forecast in table 2 above has assumed that employers will negotiate a new offer with a pay award being more in line with that offered to Police officers which is c.£1,900 for each grade of staff.

The recent announcement by the Chancellor of the Exchequer to reverse the increase in employers NI contributions from 15.05% to 13.80% in November will result in an estimated budgeted saving of (£47k) across the Operation areas (Whole Time, Retained & Control) in table 2 above and have been built into the forecast year end outturn figure.

The underspend figure (203.5k) in the Non Operational area in table 2 above is due the extra unbudgeted pay award as a result of an increase in each pay scale of £1,925 which will result in an estimated extra pressure of £129k above the budgeted pay award of 4%. This is offset by a number of current vacancies across the service (£307.5k) and an underspend as a result of the NI increase reversal of (£25k);

The vacancies within the Non Operational area include the Head of Human Resources (£25k), Facilities and Office Services (£24k), Project Management (£27k), ICT (£10k), Business Support Manager (£22k), Procurement officer vacancy (£21k), Vacancies within the Site team (£15k), an expected saving of (£25k) as a result of the difference between the Cleaning contract and employing these staff directly, vacancies within the Equality and Diversity area (£42k), vacancies within Occupational Health (£50k), (£10k) as a result of employees not being in the pension scheme plus other minor variances.

It has been agreed that the FRA approve the use of the existing Pay/Pension Earmarked reserve to fund the unbudgeted pay awards above.

2.4 **Total Forecast Outturn, Salary and Non Salary:**

2.4.1 The total forecast variance at year end including both the non-salary figure in Table 1 above and for pay and on costs, including agency staff shown in Table 2, is currently expected to be (£110.6k) underspent.

3. Capital Programme Monitoring

3.1 Table 3 below is the 2022/32 Capital Programme. The Red, Amber, Green (RAG) status indicates how well the schemes are progressing (Green being on target for year-end completion within budget; Amber indicating possible slippage or overspend; and Red indicating actual slippage/overspend or deletion of the scheme).

3.2 It should be noted that the Vehicles, ICT and HR System Projects and Property Capital Works Programmes need to be treated with fluidity as the costs and expected completion dates can vary considerably and span across financial years. However, in accordance with the financial regulations, any significant changes of expenditure over 10% of an approved capital scheme need to be reported back to the FRA.

3.3 **Table 3: The 2022/23 Capital Programme**

CMT Area	Bedfordshire Fire and Rescue Authority Capital Programme	Capital Budgets 2022/23 £'000	RAG Status
	Fleet:		
HTA	Vehicles	262	Green
HTA	Drone (Unmanned Aerial Vehicle capability and enhancements)	30	Green
HTA	Light Portable Pumps (LPP)	28	Green
	ICT Projects:		
HICT	Additional SAN storage	85	Green
HICT	Equipment refresh (tablets and phones)	116	Green
	General: Property Works service wide		
	Various: Lighting replacements, CCTV, fire protection, doors & windows, security gates, electric infrastructure, EV charging	86	Green
ACO	Major Roofing Replacements	323	Red
ACO	Drill yard resurfacing	32	Green
ACO	WC/Shower facility refurbishments	158	Amber
ACO	Heating - boiler replacements	66	Amber
ACO	Bay Floor replacements	65	Amber
ACO	Dormitory refurbishment	30	Green
ACO	Station Kitchen Refurbishments	21	Green
	Other:		
HHR	Fitness Equipment Expenditure	5	Green
HTAM	Electronic Fuel (Diesel) Monitoring system	50	Amber
	TOTAL	1,357	

3.4 Capital Programme Updates:

The Major roof repairs project above is currently rated as Red due to the availability of both construction materials and contractors to be able to complete the works by the 31 March 2023.

The WC/Shower refurbishment is currently rated as Amber awaiting the outcome of the Training Centre and contaminates work review, it is unlikely these refurbishments will be complete prior to 31 March 2023.

The Bay Floor replacements has been rated as Amber due to the availability of Contractors availability to complete this work by year end.

Following the withdrawal from the Public Sector Decarbonisation Scheme phase 3 (PSDS3), the heating – boiler replacements project has been rated as Amber, some urgent boiler replacements will be completed by year end however with further replacements completed in the new financial year.

The Electronic Diesel monitoring system has been rated as Amber due to options currently being explored, it is expected that this project will be complete early in 2023/24.

Capital Programme – Withdrawals, Slippage, Additions or Variations:

3.4.1 **Slippage:** None to Report.

3.4.2 **Additions:** None to Report.

3.4.3 **Variations:** The Head of Training and Asset Management would like FRA approval to bring forward spend on Thermal Imaging Cameras which is currently in the capital programme for 2023/24 (£300k) into 2022/23. The procurement process for these has been brought forward due to a number of existing Cameras getting to their end of useful life and replacement parts being both expensive to replace and difficult to source. At this stage it is unclear whether once the procurement is complete (currently estimated to be end of January / early February) the winning bidder would be able to deliver the new Cameras prior to the year-end of 31st March 2023 and there may be a short delay to the delivery timescale.

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GAVIN CHAMBERS
ASSISTANT CHIEF OFFICER / FRA TREASURER

Savings and Efficiencies 2022/23

CMT Area	Savings/Efficiencies	Budgeted £'000s 2022/23	Forecast £'000's 2022/23	RAG Status
ACO	Energy Management Savings (Insulation & works following bid for grant)	5	5	Green
ACO	Collaboration Income - Partner at Bedford station	4	4	Amber
ACO	Team Structure and Staffing review	5	5	Green
ACO	Surplus redistribution from the Fire & Rescue Indemnity Company (FRIC) (estimate for 2022/23 only)	40	12	Amber
HHR	Occupation Health system review	2	2	Green
HICT	Cessation Whole-time Recruitment system	4	4	Green
HRes	Drone Income	2	2	Green
HRes	Business Rates Reductions	66	66	Green
HTA	Income from Workshops Non business Activity	5	5	Green
HTA	Combine 3 existing BA courses (CFBT, BAR and TVT) into a new Tactical Firefighting Course negating the use of outside venue and instruction.	20	20	Green
HTA	Collaboration - vehicle servicing income	50	50	Green
		203	175	

* NB - All Savings have been removed from 2022-23 Base Budget