

MEETING: 15TH NOVEMBER 2021

SUBJECT: REVENUE BUDGET 2021/2022 - SECOND QUARTERLY REVIEW

JOINT REPORT OF THE CHIEF FIRE OFFICER AND CHIEF EXECUTIVE (CLERK TO THE AUTHORITY) AND THE FINANCE DIRECTOR

1. INTRODUCTION

- 1.1 This report advises Members of issues relating to the 2021/2022 Revenue Budget position at the half way point of the financial year.

2. BUDGETARY CONTROL REPORT 2021/2022

- 2.1 Regular monitoring of the Revenue Budget takes place and, at this half way stage in the financial year, variances have been identified which project an underspend at outturn of £0.703m. The ongoing impacts of the COVID-19 pandemic continue to affect Service activity in some areas, however the impact on expenditure against the revenue budget has now significantly diminished but will continue to be monitored appropriately.
- 2.2 A summary of the updated position is set out at Appendix A which shows the projected costs compared to both the revised and original budget positions for the main budget headings. The main variances are set out in detail below for information.

Employee Costs (-£0.585m)

- 2.3 At this stage in the financial year a confirmed saving of £0.575m has accrued, and a net underspend of £0.585m is projected overall on the total employee budget. This is largely due to the Firefighter and Corporate establishment both being under budget. In addition, there are more Firefighters in the development stage than budgeted for, resulting in a reduction in expenditure on salaries and oncosts. Along with this, savings are being made on employer pension costs, arising from the impact of temporary staffing arrangements, transitional movements between pension schemes, and employees opting out of the pension scheme, which are all factors which although are taken into account when the budget is drafted cannot accurately predict the actual outcomes which are more favourable than anticipated to date.
- 2.4 The projection takes into account the "Grey Book" pay award agreed and implemented with effect from 1 July 2021, which has been funded from Contingency provision within the 2021/22 revenue budget.
- 2.5 Operational overtime costs continue to be a budget pressure, particularly working with a reduced establishment. The costs have however reduced in recent months after trainees have been allocated to watches on stations. The

savings in salaries and pensions are currently absorbing the increased costs of overtime which continues to be very closely monitored, with actions considered and taken to control expenditure as appropriate. It is anticipated that as a result of further trainees graduating onto stations in the coming months, the reduction in overtime costs will be sustained, resulting in additional projected savings against employee budgets.

Premises (+£15,000)

- 2.6 An overspend of £15,000 is projected on premises costs due to a new electricity contract with a higher unit cost than budgeted.

Transport (-£39,000)

- 2.7 The transport budget is projected to underspend by over £39,000. Savings continue to be made on car allowances and travel expenses and are expected to continue for the remainder of the financial year.

Supplies and Services (-£17,000)

- 2.8 A net underspend of £17,000 is projected across supplies and services. This is in respect of savings being made on subsistence due to a reduction in travel.

Contingencies

- 2.9 The Contingency provision continues to be monitored with the budget allocated out into other budget heads for events and budget pressures as they become certain. As mentioned in paragraph 2.4, contingencies have already been used to accommodate the grey book pay award, and there are other areas of activity that will draw upon these resources in the remainder of the financial year, such as the green book pay award, implementation of the approved IRMP actions, and the additional costs of a further trainee course. Further updates will be provided to Members in the third review report in January 2022.

Income (+£77,000)

- 2.10 There is a projected net over achievement of income of £77,000. This is due to a combination of the following factors:
- An additional one-off PFI Authority Support repayment of £21,000;
 - One off Business Rates rebates of £76,000;
 - Additional income of £23,000 from the sale of vehicles and equipment;
 - Miscellaneous one-off additional income of £7,000; and
 - A Government adjustment reducing the Firelink Grant allocation for 2021/22 by £50,000 as this was overpaid in error in 2020/21 apparently.

3. FINANCIAL SUPPORT

- 3.1 Grant allocations totalling £1.483m were received by the Authority during 2019/20 and 2020/21 to help meet the financial burden and budget pressures that the COVID-19 pandemic was having on public sector organisations. Of this, TWFRS has spent £1.329m by the end of September, with £0.008m of the remainder committed to be spent by the end of November. It is proposed that the remaining balance of £0.146m of this grant is transferred to the General Fund to increase this reserve to £4.089m and which will incur any additional Covid-19 related costs should they be required.
- 3.2 In response to the tragic event at the Grenfell Tower, Government has provided a number of one off grants totalling £0.597m to date to assist with the additional financial burden of responding to the outcomes of the enquiry. These cover Building Risk Review, Protection Uplift, Grenfell Infrastructure, Fire Safety Accreditation and Protection.
- 3.3 Spend against these Fire Safety specific grants is being carefully planned, closely monitored, and reported to Home Office with the total received being fully committed to fund specified safety equipment, additional staff and training to maximise the benefits and meet the requirements set out for each funding stream in the short term. Longer term, it is hoped that additional funding will be allocated in these areas as part of the mainstream Government Funding settlement.
- 3.4 The outcome of the delayed Comprehensive Spending Review was announced in the Chancellor's Budget Statement on 27 October. The implications for this Authority are being assessed and a verbal update will be provided to Members at today's training session with a full Budget Planning Framework report presented to the December meeting of the Fire Authority.

4. RESERVES

- 4.1 As reported there are projected savings against the 2021/2022 Revenue budget of at least £0.700m. It is therefore proposed to transfer this saving, subject to members approval, to the Transformation and Reform Reserve to be used at a future date for initiatives planned under the TWFRS 2025 Programme.

5. STATEMENT OF BALANCES

- 5.1 As outlined in paragraph 3.1 above, it is proposed to transfer the remaining £0.146m of Covid Grants to the General Fund to strengthen the short term resilience of the Revenue Budget, and on the basis that this is viewed as an appropriate level of General Fund Balance for the size and risks faced by the Authority.

6. RISK MANAGEMENT

- 6.1 A risk assessment has been undertaken to ensure that the risk to the Authority has been minimised as far as practicable. The assessment has considered an appropriate balance between risk and control, the realisation of efficiencies, the most appropriate use of limited resources and a comprehensive evaluation of the benefits. The risk to the authority has been assessed as low utilising the standard risk matrix based on control measures being in place.

7. FINANCIAL IMPLICATIONS

- 7.1 The financial implications are set out in Appendix A of the report.

8. EQUALITY AND FAIRNESS IMPLICATIONS

- 8.1 There are no equality and fairness implications in respect of this report.

9. HEALTH AND SAFETY IMPLICATIONS

- 9.1 There are no health and safety implications in respect of this report.

10. RECOMMENDATIONS

- 10.1 Members are requested to:
- Note the mid year position with regard to the Revenue Budget for 2021/2022 as set out in this report and summarised at Appendix A;
 - Approve the proposed transfer of £0.146m, being the balance of Covid Grant funding as shown in paragraphs 3.1 and 5.1 to the General Fund; and
 - Approve the proposed transfer of £0.700m to the Transformation and Reform Reserve as recommended in paragraph 4.1 above.