

<b>REPORT REFERENCE NO.</b>	RC/22/8
<b>MEETING</b>	RESOURCES COMMITTEE
<b>DATE OF MEETING</b>	18 MAY 2022
<b>SUBJECT OF REPORT</b>	PROVISIONAL FINANCIAL OUTTURN 2021-22
<b>LEAD OFFICER</b>	Director of Finance, People & Estates (Treasurer)
<b>RECOMMENDATIONS</b>	<p><b><i>(a) That the Authority be recommended to approve that the provisional overspend against the 2021-22 revenue budget of £1.379m be met by transferring from the General Reserve.</i></b></p> <p><b><i>(b) That, subject to (a) above, the following be noted:</i></b></p> <p><b><i>(i) The draft position in respect of the 2021-22 Revenue and Capital Outturn position, as indicated in this report.</i></b></p> <p><b><i>(ii) That the net overspend figure of £1.379m is after the removal of the Pensionable Allowances Provision (£0.409) which is deemed no longer to be required plus a transfer of £2.013m to the Grants Unapplied Reserve as required under International Financial Reporting Standards (IFRS) relating to grants received during the financial year but not utilised as per Appendix C.</i></b></p>
<b>EXECUTIVE SUMMARY</b>	<p>This report sets out the draft financial outturn position for 2021-22 against agreed financial targets.</p> <p>In particular, it provides a draft outturn spending position against the 2021-22 revenue budget with explanations of the major variations. Spending will be £1.379m over budget, (net of transfers to earmarked reserves noted in this report) equivalent to 1.86% of the total budget.</p> <p>There have been some significant challenges in the year, most notably the nationally agreed pay award (1.5% to firefighters and 1.75% to support staff) the cost to the Authority was in the region of £0.800m which was unbudgeted. The majority of the balance is as a result of a quicker than expected take-up of the new Pay for Availability pay system introduced for on-call firefighters.</p> <p>The figures are also subject to external audit of the Accounts.</p>
<b>RESOURCE IMPLICATIONS</b>	As indicated in the report

<b>EQUALITY RISKS AND BENEFITS ANALYSIS</b>	The contents of this report are considered compatible with existing equalities and human rights legislation.
<b>APPENDICES</b>	A. Provisional Revenue Outturn Position 2021-22. B. Summary of Reserve and Provision Balances at 31 March 2022 C. Grants Received in Advance.
<b>BACKGROUND PAPERS</b>	None

## **1. INTRODUCTION**

- 1.1. This report provides the Authority with the final outturn position (subject to audit) for revenue and capital spending for the financial year 2021-22 and makes recommendations as to how the overspend against the revenue budget is to be funded. The report is in two parts. Section 1 deals with the revenue outturn position while Section 2 deals with the position in relation to capital spending.
- 1.2. The Authority is well aware of the difficult financial climate that local authorities are currently operating under as a result of cuts in government funding. In setting the 2021-22 revenue budget for the Authority in February 2021, consideration of the Medium-Term Financial Plan (MTFP) recognised that further recurring savings will be required over the next five years to 2026-27 over above the savings already achieved by the implementation of the changes agreed as part of the 2013 Corporate Plan and Safer Together programme.
- 1.3. Mindful of this difficult outlook the strategy adopted during the last financial year of 2021-22 was to balance the budget using 2 reserves; one allocated by the Department for Levelling Up, Housing and Communities (DHLUC) to smooth the loss of council tax as a result of Covid and the second from the reserve created to assist with the introduction of Pay for Availability. Both reserves have been called upon in year.

## **2. SECTION 1 – REVENUE OUTTURN 2021-22**

- 2.1. Total revenue spending in 2021-22 was £75.601m compared to an agreed budget of £74.222m, resulting in an overspend of £1.379m, equivalent to 1.86% of total budget. A summary of spending is shown in Table 1 overleaf and Appendix A provides a more detailed analysis of spending against individual budget heads.

**TABLE 1 – SUMMARY OF REVENUE SPENDING 2021-22**

	£m	£m	£m
<b>Approved Budget</b>			<b>74.222</b>
Gross Spending (Appendix A Line 28)	91.455		
Gross Income (Appendix A Line 34)	(12.734)		
Net Spending		78.722	
<u>Transfers to/(from) Earmarked Reserves</u>			
- Transfers to Reserves (Appendix A Line 35)	(3.120)		
- Capital Funding (Appendix A Line 36)	0.000		
- Grants Unapplied (Appendix A Line 37)	0.000		
Total Transfer to/from Earmarked Reserves (Appendix A Line 38)		(3.120)	
<b>TOTAL NET SPENDING</b>			<b>75.602</b>
<b>NET OVERSPEND</b>			<b>1.379</b>

- 2.2. These figures are based upon the spending position at the end of March 2022 and whilst they provide a provisional financial performance for the year, are subject to final accounting adjustments and audit scrutiny for the year end.
- 2.3. The underspend is after several variances against budget as reported in Appendix A to this report but is mainly due to pressure on the pay budgets resulting from the pay awards which were unbudgeted.
- 2.4. Variances against other budget heads e.g. uniformed staffing costs, training expenses and capital financing costs are also reported. Explanations of the more significant variations from budget (over £50k variance) are explained below.

### **3. VARIATION AGAINST BUDGET**

#### ***Service Delivery Staff***

- 3.1. **Overspend of £3.239m.** As mentioned previously, the nationally agreed pay award (£0.650m) and the accelerated implementation of Pay for Availability (P4A) (£1.301) were the primary drivers for this overspend. Additionally, a £0.520m (97%) overspend against the on-call holiday pay budget also due to the accelerated introduction of P4A. Costs associated with the ambulance provision amount to £0.280m, however, these are off-set as we do receive income from the Ambulance Trust for their provision – see line 31. The balance being made up over multiple pay lines.

### ***Professional and Technical Staff***

- 3.2. **Overspend of £0.721m.** Overspends within the Academy - Driver Training School due to additional instructor resource needed to clear the backlog of training as a result of Covid-19 amounts to £0.057m. Academy Management also overspent by £0.110m due to the need for secondary contact trainers to ensure sufficient instructors. There is also an overspend by £0.053m relating to the Academy Planning and Resourcing team. A greater than anticipated reliance on Agency staff within HR caused an overspend of £0.023m and an overspend within ICT of £0.130m contributed to the position. Additionally, there was also an unbudgeted pay award which amounted to over £0.200m. The balance being made up over multiple pay lines.

### ***Training Investment***

- 3.3. **Underspend of £0.316.** Covid restricted the number of external courses available for the first quarter of the year. Therefore, the Academy reviewed the priority of the courses (in terms of availability) which has resulted in an underspend of £0.081m. The budget for conferences were underspent by £0.017m due to events being held virtually. Training within Fire Safety was underspent by £0.065m due to lack of course availability. Planned training within ICT was delivered using the apprenticeship levy which resulted in an underspend of £0.16m. On top of these, People Development were underspent by £0.023m The balance being saved over multiple budget lines.

### ***Repair and Maintenance (Transport Related)***

- 3.4. **Underspend of £0.174m.** £0.076m of this relates for blue light fit-out that for vehicles that did not get delivered in the financial year. There has also been a reduction from Fleet of £0.034m which is likely driven by the introduction of the newer fleet.

### ***Communications***

- 3.5. **Underspend of £0.316m.** There was budget in year to purchase a Dynamic Coverage Tool, this was no longer required for 2021/22 resulting in an underspend of £0.050m. Mobile telephones costs were underspent by £0.040m against budget and the radio network costs were underspent by £0.043m. Delays in the replacement of the LAN Edge has resulted in a further amount of £0.110m that could not be acquired

### ***Support Services Contracts***

- 3.6. **Overspend of £0.230m.** The majority is from an overspend on Personnel Services (mediation, placement fees, occupational health etc.). The balance being made up over multiple lines.

### ***Revenue contribution to Capital Spending***

- 3.7. **Reduced contribution of £0.165m.** A reduction in budgeted income from Red One resulted in an underspend against this budget.

### ***Grants and Re-imbursements***

- 3.8. **Grants were £2.158m greater than budget.** Some were used in-year, the majority of the value (£2.013m) however are requested to be moved into an Earmarked Reserve as they are classed as receipts in advance. See Section 4.1 b of this report refers with the grants being detailed within Appendix C.

### ***Other Income***

- 3.9. **Other income was £0.419m greater than budget.** The continued support to Southwest Ambulance Service Trust (SWAST) has created additional income of £0.289m that was unbudgeted. Coupled with this, Station 60 (USAR) delivered an additional £0.037m of income related to training they provide. Procurement also generated an additional £0.060m of income from the use of their call-off contracts and a further £0.024m resulting from the support provided to the G7 summit.

## **4. CONTRIBUTION TO EARMARKED RESERVES**

- 4.1. A summary of predicted balances on Reserves and Provisions is shown in Appendix B to this report. These figures include those proposed transfers to and from Earmarked Reserves and provisions outlined in this report and referenced in Appendix B which are recommended for approval:

- a) **Budgeted Transfers from Reserves (£1.379m)** – A reduction in the General Fund Balance as per paragraph 5.1 which references the transfers seeking authorisation in line with financial regulations.
- b) **Grants Unapplied (£2.013m)** - under International Financial Reporting Standards (IFRS) accounting arrangements, any unused grants at the year-end, which are not subject to repayment, are to be identified and carried forward to 2022-23 via an Earmarked reserve. The detail of the grants are provided within Appendix C. Members are requested to authorise the two grants received which are in excess of the delegated limit of £0.200m.
- c) **Removal of Pensionable Provision (£0.409)** – This provision was initially created to fund additional costs associated with the part-time workers regulations. Latterly, it has been used to fund the pension associated with allowances for both Area Managers and Trainers. Following a review and as these now form part of the revenue budget, this provision is no longer required and so is returned into the revenue budget. Members are requested to authorise the removal of this provision.
- d) **Doubtful Debt (0.600m)** – Due to the improved financial standing of Red One Ltd, a review of the doubtful debt provision has been undertaken, it is felt this can be reduced to a more realistic amount.

## **5. PROPOSALS FOR FUNDING THE OVERSPEND**

5.1. The Authority is asked to approve the recommendation that the overspend figure of £1.379m be funded using a transfer from the General Fund Balance (GFB). The level of the General Fund should be based on risk associated with the Authority. A general guide is that the General Fund is roughly 5% of the revenue budget. This reduction in the General Fund will leave the balance at 5.3% of Revenue budget which is felt to be adequate.

5.2. A summary position of Reserves and Provisions as at 31 March 2022, including the recommendations included in this report, is included as Appendix B to this report.

### ***Provisions***

5.3. Included in Appendix B is a summary of the Provision balances as at 31 March 2022. As part of the year-end process the Authority is required to review the adequacy of Provision balances and consider whether any changes during the year require additional amounts to be set aside. As a result of the most recent review it has been assessed that £1.029m can be released from the Provision back in to the revenue budget.

## **6. SECTION 2 – CAPITAL OUTTURN 2021-22**

6.1. The 2021-22 capital programme was originally set at £10.6m at the budget setting meeting held in February 2021. The programme figure was increased during the financial year to £12.7m, as a result of timing differences in spending from the previous year and revisions to the capital spending plan. As has been reported to the Resources Committee during the year, whilst these changes represent a change in the 2021-22 programme they do not represent any increase to the previously agreed borrowing requirement.

6.2. Table 2 overleaf provides a summary of the provisional outturn position against the agreed 2021-22 capital programme. Against a final capital programme of £12.693m, capital spending in year was £8.254m, resulting in unspent programme of £4.439m, of which £4.341m relates to timing differences to be carried forward to 2022-23, and £0.098m of savings.

6.3. The 2021-22 budget included an “optimism bias” again, based on experience of considerable timing differences in capital spending against plans. The figures in table 2 below are net of the optimism bias and the outturn suggests that it would be prudent to continue using this approach, which has been incorporated in to the programme for 2022-23.

**TABLE 2 – SUMMARY OF CAPITAL SPENDING IN 2021-22**

<b>Capital Programme 2021/22</b>				
	<b>2021/22 £000</b>	<b>2021/22 £000</b>	<b>2021/22 £000</b>	<b>2021/22 £000</b>
<b>PROJECT</b>	<b>Revised Budget</b>	<b>Actuals</b>	<b>Timing Differences</b>	<b>Re- scheduling/ Savings</b>
<b>Estate Development</b>				
Site re/new build	2,207	1,816	(473)	82
Improvements & structural maintenance	5,762	1,083	(4,539)	(127)
<b>Estates Sub Total</b>	<b>7,969</b>	<b>2,899</b>	<b>(5,012)</b>	<b>(45)</b>
<b>Fleet &amp; Equipment</b>				
Appliance replacement	6,403	5,190	(1,212)	0
Specialist Operational Vehicles	480	90	(400)	10
ICT Department	409	62	(317)	(30)
Water Rescue Boats	32	0	0	(32)
<b>Fleet &amp; Equipment Sub Total</b>	<b>7,324</b>	<b>5,342</b>	<b>(1,929)</b>	<b>(52)</b>
<b>Optimism bias Sub Total</b>	<b>(2,600)</b>	<b>0</b>	<b>2,600</b>	<b>0</b>
<b>Overall Capital Totals</b>	<b>12,693</b>	<b>8,241</b>	<b>(4,341)</b>	<b>(97)</b>

**Capital Spending 2021-22**

- 6.4. This Authority has a three year rolling capital programme, reviewed annually. This reflects changes in circumstances within individual projects and slippage that will occur from time to time. This has particularly been the case in relation to some Estates projects which have been delayed and moved into 2022-23.
- 6.5. Timing differences for Estates projects include; Plymstock (£0.473); Camels Head rebuild (£2.511m); wash-down improvements (environmental protection) on various sites (£0.311m); dignity at work (£0.628m); various roofing schemes (£0.4742m); Bere Alston (£0.324m); Paignton (£0.249m); SHQ buildings (£0.040m).
- 6.6. Timing differences for Fleet & Equipment and ICT projects relate to: MRPs (£0.732m); MRP 4 X 4 (£0.480m); Incident Command Training vehicles (£0.160m); ALPs (£0.240m); SQL server (£0.317m); Water Rescue Boats (£0.032m).



## 7. **FINANCING THE 2021-22 CAPITAL PROGRAMME**

- 7.1. The table below provides an analysis of how the 2021-22 capital spending of £8.254m is to be financed.

**TABLE 3 – SUMMARY OF CAPITAL FINANCING IN 2021-22**

	Actual Financing Required £m
<b><u>Application of existing borrowing</u></b>	<b>2.024</b>
<b><u>Other financing sources:</u></b>	
Revenue contribution to capital	1.737
Red One contribution to capital	0.135
Capital reserve	4.338
<b><u>Sub-total – Direct revenue funding/earmarked reserve</u></b>	<b>6.210</b>
<b><u>Capital receipts</u></b>	0.020
<b>Total Financing</b>	<b>8.254</b>

### ***Borrowing***

- 7.2. The amount of external borrowing at the beginning of the financial year stood at £24.851m. No new borrowing was taken out during the year and an amount of £0.094m has been repaid, resulting in an overall reduction of external borrowing to £24.757m as at 31 March 2021. This level of borrowing is well below the agreed maximum borrowing figure of £27.244m allowed under the Prudential Code.

## 8. **DRAFT PRUDENTIAL INDICATORS**

- 8.1. The prudential indicators at this time can only be regarded as provisional subject to the completion of the Statement of Accounts and resultant audit scrutiny.

### ***Capital Expenditure***

- 8.2. This prudential indicator reports actual capital spending for the year against the approved programme. Spending has proved to be £6.715m less than anticipated as a consequence of delays on progressing Estates & Fleet capital projects.

	£m
Approved Budget	12.693
Actual Expenditure	8.241
Variance	(4.452)

### **Capital Financing Requirement– External Borrowing**

- 8.3. The Capital Financing Requirement (CFR) reflects the underlying need to borrow for capital purposes. Given that existing borrowing has been applied to the spending in 2021-22 the need to borrow to fund capital spending has remained static.

	<b>£m</b>
Approved CFR	24.757
Revised CFR (Based on Actual Spending)	24.757
Variance	0.000

### **Capital Financing Requirement– Other Long-Term Liabilities**

- 8.4. This Capital Financing Requirement (CFR) reports long term financing liabilities other than external borrowing, e.g. Private Finance Initiative (PFI) and Finance Leases, which under accounting rules are required to be reported alongside traditional borrowing liabilities.

	<b>£m</b>
Approved CFR	0.907
Revised CFR (Based on Actual Spending)	0.907
Variance	0.000

### **Authorised Limit and the Operational Boundary for External Debt**

- 8.5. Actual external debt as at 31 March 2022 was £24.757m. This is within the revised authorised limit (absolute maximum borrowing approval) of £27.244m and the operational boundary of £25.961m.

### **Ratio of Financing Cost to Net Revenue Stream**

- 8.6. This ratio aims to show the percentage of revenue resources which are applied to financing debt. The Authority's estimate was that 4.29% would be applied, a better ratio has been achieved as a result of investment returns.

	<b>£m</b>
Capital Financing Costs	3.324
Interest on Investments	(0.093)
Net Financing Costs	3.231
Net Revenue	74.222
Percentage	4.29%
Budgeted	4.68%
Variance	(0.39 bp)

## **9. DETERMINATION OF CAPITAL FINANCE**

9.1. The Authority is required to determine its use of capital finance as defined by capital control legislation. The following use of capital finance resources is proposed:

- That an amount of £2.024m of external borrowing from previous years be utilised to fund the Capital programme;
- That an amount of £6.210m is capitalised and funded from revenue contributions to capital spending, either directly from the 2021-22 revenue budget or from balances in Earmarked Reserves;
- That an amount of £0.020m of capital receipts be utilised to fund the Capital Programme.

## **10. RESERVES**

10.1. A new requirement was introduced in 2018 under CIPFA guidance for the Fire Authority to publish a Reserves Strategy which outlines the intended use of reserves over the medium term financial period. The strategy for 2021-22 is available on the Authority's website and the next iteration will be reviewed and presented to the Authority in light of proposals made in this report.

10.2. The Authority reserves position at the end as at 31 March 2022 is £36.023m, subject to approval of the recommendations in this report, the details of which are shown at Appendix B and in paragraph 4.1 above.

**SHAYNE SCOTT**

**Director of Finance, People & Estates (Treasurer)**

**SUBJECTIVE ANALYSIS OF REVENUE SPENDING**

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY				
Line No	SPENDING	2020/21 Budget £000	Outturn £000	Projected Variance over/ (under) £000
	<b>EMPLOYEE COSTS</b>			
1	Service Delivery Staff	52,159	55,399	3,239
2	Professional and technical support staff	11,193	11,914	721
3	Training investment	854	537	(316)
4	Fire Service Pension costs	2,352	2,339	(12)
		<b>66,558</b>	<b>70,190</b>	<b>3,632</b>
	<b>PREMISES RELATED COSTS</b>			
5	Repair and maintenance	1,010	1,026	16
6	Energy costs	578	616	38
7	Cleaning costs	499	525	26
8	Rent and rates	1,921	1,948	27
		<b>4,009</b>	<b>4,114</b>	<b>105</b>
	<b>TRANSPORT RELATED COSTS</b>			
9	Repair and maintenance	708	535	(174)
10	Running costs and insurances	1,257	1,228	(29)
11	Travel and subsistence	1,402	1,354	(48)
		<b>3,368</b>	<b>3,116</b>	<b>(251)</b>
	<b>SUPPLIES AND SERVICES</b>			
12	Equipment and furniture	3,642	3,619	(23)
13	Hydrants-installation and maintenance	131	128	(3)
14	Communications Equipment	2,403	2,087	(316)
15	Protective Clothing	521	543	22
16	External Fees and Services	148	117	(31)
17	Partnerships & regional collaborative projects	311	281	(30)
18	Catering	66	97	30
		<b>7,223</b>	<b>6,872</b>	<b>(351)</b>
	<b>ESTABLISHMENT COSTS</b>			
19	Printing, stationery and office expenses	265	253	(12)
20	Advertising	34	69	35
21	Insurances	434	444	11
		<b>732</b>	<b>766</b>	<b>34</b>
	<b>PAYMENTS TO OTHER AUTHORITIES</b>			
22	Support service contracts	733	963	230
		<b>733</b>	<b>963</b>	<b>230</b>
	<b>CAPITAL FINANCING COSTS</b>			
23	Capital charges	3,474	3,562	88
24	Revenue Contribution to Capital spending	2,037	1,872	(165)
		<b>5,511</b>	<b>5,435</b>	<b>(76)</b>
25	<b>TOTAL SPENDING</b>	<b>88,134</b>	<b>91,455</b>	<b>3,322</b>
	<b>INCOME</b>			
26	Treasury management investment income	(100)	(93)	7
27	Grants and Reimbursements	(9,151)	(11,309)	(2,158)
28	Other income	(912)	(1,331)	(419)
29	<b>TOTAL INCOME</b>	<b>(10,163)</b>	<b>(12,734)</b>	<b>(2,570)</b>
30	<b>NET SPENDING</b>	<b>77,971</b>	<b>78,722</b>	<b>751</b>
	<b>TRANSFERS TO EARMARKED RESERVES</b>			
31	Transfers to reserves	-3,748	-4,499	(751)
32	Transfer to Capital funding	0	0	0
33	Grants Unapplied	0	0	0
		<b>(3,748)</b>	<b>-4,499</b>	<b>(751)</b>
36	<b>NET SPENDING</b>	<b>74,222</b>	<b>74,223</b>	<b>0</b>

APPENDIX B TO REPORT RC/22/8

**SUMMARY OF RESERVES AND BALANCES AS AT 31 March 2022**

RESERVES AND PROVISIONS						
	Note	Balance as at 1 April 2021 £'000	Approved Transfers £'000	Proposed Transfers £'000	Spending Month 12 £'000	Proposed Balance as at 31 March 2022 £'000
<b>RESERVES</b>						
<b>Earmarked reserves</b>						
Grants unapplied from previous years	4.1.b	(4,526)		(2,013)	3,432	(3,107)
Invest to Improve		(3,897)			916	(2,981)
Budget Smoothing Reserve		(1,818)			-	(1,818)
Direct Funding to Capital		(23,270)			4,338	(18,932)
Projects, risks, & budget carry forwards		-			-	-
PFI Equalisation		(150)	100		-	(150)
Emergency Services Mobile Communications Programme		(1,347)			45	(1,301)
Breathing Apparatus Replacement		-			-	-
Mobile Data Terminals Replacement		(266)			98	(168)
Pension Liability reserve		(1,231)			8	(1,223)
Budget Carry Forwards		(3,459)			1,439	(2,020)
Environmental Strategy		(308)			40	(268)
Uncategorised		-			-	-
MTA Action Plan		(200)			49	(151)
<b>Total earmarked reserves</b>		<b>(40,471)</b>	<b>100</b>	<b>(2,013)</b>	<b>10,364</b>	<b>(32,120)</b>
<b>General reserve</b>						
General Fund (non Earmarked) Balance	4.1.a	(5,282)	-	1,379	-	(3,903)
Percentage of general reserve compared to net budget						5.3%
<b>TOTAL RESERVE BALANCES</b>		<b>(45,753)</b>	<b>100</b>	<b>(634)</b>	<b>10,364</b>	<b>(36,023)</b>
<b>PROVISIONS</b>						
Doubtful Debt	4.1.d	(655)	600	-	-	(55)
Fire fighters pension schemes	4.1.c	(502)	429	-	73	(0)

**Grants received in advance**

<b>GRANT</b>	<b>£m</b>
Protection Uplift	0.257
NNDR Additional Reliefs	1.756
Member Approval	2.013