

ROYAL BERKSHIRE FIRE AUTHORITY REPORT



COMMITTEE	MANAGEMENT COMMITTEE
DATE OF MEETING	6 DECEMBER 2022
SUBJECT	2022/23 BUDGET MONITORING – QUARTER TWO
LEAD OFFICER	CONOR BYRNE, HEAD OF FINANCE AND PROCUREMENT
LEAD MEMBER	COUNCILLOR JEFF BROOKS
EXEMPT INFORMATION	NONE
ACTION	FOR NOTE

1. EXECUTIVE SUMMARY

- 1.1 To inform members of the estimated revenue outturn and to provide an update on capital projects at the end of quarter 2 2022/23.

2. RECOMMENDATION

- 2.1 That the Management Committee **NOTE** the report.

3. REPORT

Commentary on Revenue Outturn

- 3.1 The detailed revenue outturn for quarter 2, 2022/23 is shown in **Appendix A**. Net costs of TVFCS for quarter 2 are shown in **Appendix B**.
- 3.2 The 2022/23 Revenue Budget agreed by Members in February 2022 was set at £38.446m as a balanced budget with no use of reserves.
- 3.3 The forecast revenue outturn for 2022/23 is shown in Appendix A, and shows an anticipated deficit of £800,000, to be funded from reserves. Variances against individual revenue lines are explained below.
- 3.4 A pay offer of 5% to Grey Book staff, backdated to 1 July 2022, has been made and rejected. This offer has been incorporated into the current forecast. Compared with the original budget of 2.5%, this gives a forecast increase in employment costs for Grey book staff in 2022/23 of £373,000. This is split between *stations* (£320,000) and *non-station* Grey book staff (£53,000).

- 3.5 Station staff budgets are also under pressure with overtime forecast to be £453,000 over budget (before any adjustment for back dated pay rises and the NI reduction). At the end of Q1 the variance was forecast as £274,000. There are various factors for the increase and level of the variance, including the additional bank holiday for the Queen's funeral, increased working in the summer heatwave, the need to cover absences for sickness and those on light duties, annual leave and training in order to maintain crewing levels. 18 new recruits came onto stations in mid-April but need time to build up operational competency and have an effect on crewing cover.
- 3.6 On-call stations are showing positive and negative variances across the county with an overall net pressure of £25,000, including allowance for the payrise and NI reduction.
- 3.7 The Green Book pay award for 2022/23 has been accepted and equates to an additional budget pressure of £219,000 and has been built into the Q2 forecast. This additional cost is mitigated by a number of vacancies that have not been filled due to the overall budgetary position.
- 3.8 Set against the adverse variances for pay rises is the Government announcement that the additional 1.25% rise in employers' national insurance contributions would be removed from November 2022 - resulting in forecast savings of £85,000, split between *stations* (£49,000) and *non-station* (£36,000).
- 3.9 *Repairs and Maintenance.* Water damage to the lecture block at the Whitley Wood Fire Station is estimated to cost around £122,000, but will be mostly reimbursed through an insurance claim (see other income below).
- 3.10 *Rates.* The final appeal on business rate charges (Dee Road site) has been successful and has resulted in a net refund of £109,000.
- 3.11 *Utilities.* Our energy contractor has mitigated market extremes through hedging. Although additional budget provision for utilities has been made in the current year, it is anticipated that costs will exceed the budget allocated by an additional £217,000. This does not take into account the support the Government will provide, the consequences of which are being worked through by our contractor.
- 3.12 *Transport.* It is estimated that increased activity and the rise in fuel prices will result in an additional £44,000 in transport costs this year.
- 3.13 Cross border charges have been agreed with Thames Valley partners for the first two quarters of the year and, based on this, it is estimated that charges will be £29,000 higher (under *Contracts Other*) and income £159,000 higher (under *Income Other*) higher than the budgeted targets.
- 3.14 The Authority has a statutory duty to put in place contingency arrangements for potential or actual industrial action to ensure that risk to the public is

minimised. To date, this has resulted in additional costs of £42,000 (under *Contracts Other*) as well as some additional expenditure under the *Equipment* line.

- 3.15 *Income Other* also includes £15,000 as our share of prior year surpluses that have been distributed by the Fire and Rescue Indemnity Company as well as the insurance claim for the water damage at Whitley Wood.
- 3.16 The *Grants* line is showing an adverse variance as the Authority unexpectedly received notification from the Home Office that the grant funding provided for Firelink will be completely phased out over a five year period, starting in 2022/23. A 20% reduction in funding will occur in each of the next five years. This has resulted in a £75,000 budget pressure in 2022/23. It should also be noted that the grant did not cover all of the costs of Firelink and the Firelink contract increases by RPI each year. Within five years the unsupported costs of Firelink could be around £550,000.
- 3.17 *Investment Interest*. Given the recent interest rate rises it is anticipated that yields from invested sums should generate additional income this year of £241,000.
- 3.18 *Gov Grants/Precepts*. As part of budget setting the Authority had to estimate the income it is due from central Government for section 31 business rates relief payments, for both the current and prior years. These figures are still to be confirmed fully, and are made up of a number of variables outside of the direct control of the Authority. The net expected variance is £190,000 in reduced income.
- 3.19 As in previous years, the Chief Fire Officer has been lobbying the Government in relation to a fair funding settlement for the Fire Authority and has been in correspondence with Jeremy Quin who was Minister for Crime, Policing and Fire. Mr Quin acknowledged the vital work that firefighters undertake and said that he understood the issues around retention and recruitment of firefighters.

Capital

- 3.20 Capital expenditure to quarter 2, 2022/23 and supporting commentary for each respective scheme is shown in **Appendix C**.

4. CONTRIBUTION TO STRATEGIC COMMITMENTS

- 4.1 Commitment 5 – We will ensure that Royal Berkshire Fire and Rescue Service provides good value for money.

5. FINANCIAL IMPLICATIONS

- 5.1 The forecast outturn position on the Revenue Account is expected to increase the call on reserves by £800,000 by the end of the financial year.

6. LEGAL IMPLICATIONS

6.1 Expenditure complies with the Authority's Financial Regulations.

7. EQUALITY AND DIVERSITY IMPLICATIONS

7.1 There are no equality and diversity implications arising from this report.

8. RISK IMPLICATIONS

8.1 The revenue and capital outturns together with the reserves position are consistent with the assumptions within the Medium Term Financial Plan.

8.2 Regular monitoring of expenditure against budgets helps ensure that resources are matched to need.

9. CONSISTENCY WITH DUTY TO COLLABORATE

9.1 The duty to collaborate is considered as part of the procurement process for both revenue and capital expenditure.

10. PRINCIPAL CONSULTATION

10.1 The Chief Fire Officer has noted the contents of the report.

11. BACKGROUND PAPERS

11.1 Agenda and Minutes, Royal Berkshire Authority: 15 February 2022.

12. APPENDICES

12.1 Appendix A – Revenue position at quarter 2 2022/23

12.2 Appendix B – Net costs of TVFCS quarter 2 2022/23

12.3 Appendix C – Capital position at quarter 2 2022/23

13. CONTACT DETAILS

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