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SCOTTISH
FIRE AND RESCUE SERVICE

Working together for a safer Scotland

16 February 2022

TO ALL MEMBERS OF THE SCOTTISH FIRE AND RESCUE SERVICE

Dear Member

You are invited to attend the Special meeting of the Scottish Fire and Rescue Service Board as follows:

Date: Thursday 24 February 2022

Time: 0915 hours

Venue: Conference Facilities

The business for the meeting is detailed overleaf.

Should you require any other information, please contact Group Commander Alasdair Cameron on 07786 856986, Heather Greig on 07824 307616 or Debbie Haddow on 07341 880523.

Yours sincerely

Kirsty L. Darwent

KIRSTY DARWENT
Chair

Please note that this meeting will be recorded and published on the SFRS Website.

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FIRE AND RESCUE SERVICE

Working together for a safer Scotland

SPECIAL PUBLIC MEETING - THE BOARD OF SCOTTISH FIRE AND RESCUE SERVICE
THURSDAY 24 FEBRUARY 2022 @ 0915 HRS
CONFERENCE FACILITIES

AGENDA

1 CHAIR'S WELCOME

2 APOLOGIES FOR ABSENCE

3 CONSIDERATION OF AND DECISION ON ANY ITEMS TO BE TAKEN IN PRIVATE

4 DECLARATION OF INTERESTS

Members should declare any financial and non-financial interest they have in the items of business for consideration, identifying the relevant agenda item, and the nature of their interest.

5 BUDGET STRATEGY 2022-23 (attached)

J Thomson

The Board is asked to approve the report.

6 DATE OF NEXT MEETING
Thursday 31 March 2022

Please note that this meeting will be recorded and published on the SFRS Website.

SCOTTISH FIRE AND RESCUE SERVICE
The Board of Scottish Fire and Rescue Service



Report No: B/FCS/02-22

Agenda Item: 5

Report to:	THE BOARD OF THE SCOTTISH FIRE AND RESCUE SERVICE						
Meeting Date:	24 FEBRUARY 2022						
Report Title:	BUDGET STRATEGY 2022-23						
Report Classification:	For Decision	Board/Committee Meetings ONLY For Reports to be held in Private Specify rationale below referring to <u>Board Standing Order 9</u>					
		<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>
1	Purpose						
1.1	The purpose of this report is to ask the Board of the Scottish Fire and Rescue Service (SFRS) to approve the amended Budget Strategy for 2022-23 after receiving feedback at the Board Strategy Day on the 27 January 2022.						
2	Background						
2.1	SFRS is funded directly through Grant in Aid (GiA), as detailed in the annual Budget (Scotland) Act.						
2.2	GiA funding is agreed on an annual basis and covers Resource (RDEL), Capital (CDEL) and Non-Cash elements. The non-cash funding is ring fenced funding for depreciation and impairments. SFRS has no ability to hold reserves and must ensure annual spend is within agreed budget limits (RDEL and CDEL).						
2.3	In February 2021, Scottish Government (SG) published Investing for Jobs: Capital Spending Review 2021/22 to 2025/26 (CSR). The CSR was based on Scottish Government's Infrastructure Investment Plan 2021 – 2026 (IIP) the IIP, represents the Government's response to the recommendations of the Infrastructure Commission for Scotland, and is built around three key themes, Enabling Transition to Net Zero Emissions and Environmental Sustainability, Driving Inclusive Economic Growth and Building Resilient and Sustainable Places.						
2.4	The CSR set the Service's base capital (CDEL) funding for each year at £32.5million until 2025/26. The Service however, has been successful in applying for and receiving additional grants in relation to transition to net zero emissions on top of base funding. These grants have allowed the Service to develop an electrical charging infrastructure and lease electric vehicles over the last few years. Recently, the Service agreed with Transport Scotland the future funding requirements to further develop our electrical infrastructure and an indicative funding plan has been agreed until the end of 2023/24 with agreed funding of £1.5million to be spent by end of 2022/23 and a further £1.5million indicated for 2023/24.						
2.5	Scottish Enterprise also provided in 2021/22 £0.5million in funding to support the development of our low carbon emission vehicle as a prototype for future fire appliances. The procurement phase was completed this year and awarded to Emergency One with the new appliance expected to be built and delivered in 2022/23.						

2.6	In addition, Scottish Government's Directorate for Energy & Climate Change, in August 2021 awarded SFRS £2.135million additional GiA from the Green Public Sector Estate De-Carbonisation Scheme, for various De-carbonisation projects in the Service, ranging from Biomass Boilers, Building Energy Management System Installations, Solar PV Installations and Retained Estate Energy Efficiency. Given the known capital funding constraints the Service will continue to seek additional funding in this area to support the delivery of our carbon management plan.
2.7	Glasgow hosted the 26th meeting of the UN Conference of Parties (COP 26) in November 2021. The Service provided dedicated support for the event and separate funding was agreed with the Home Office to recover our costs. COP 26 reaffirmed the need for action on climate change and SG continues with its plans to reach net zero by 2045.
2.8	The coronavirus pandemic has had a devastating and continuing global impact, both in health and economic terms. In October 2021, the SG published its "Covid Recovery Strategy: for a fairer future". The government's vision is to address the systemic inequalities made worse by Covid; make progress towards a wellbeing economy; and accelerate inclusive person-centred public services. The outcomes anticipated are financial security for low income households; wellbeing of Children and Young People; and good green jobs and fair work.
2.9	The SG also published its fourth Medium-Term Financial Strategy in December 2021 that supports the budget proposals for 2022/23. The role of the MTFs is to provide a medium-term perspective on the public finances, supporting a broad approach to budget evaluation and formation.
2.10	The MTFs highlights Scottish Government's intention to publish multi-year spending plans in May 2022 to indicate future funding to public bodies and help support forward planning which is to be welcomed.
2.11	To facilitate the SG is undertaking a Resource Spending Review (RSR) which will be published in May 22 and will provide an indication of future resource funding and potentially determine the Resource Budget funding for the Service until 2025/26. The MTFs highlights decisions made in the RSR will be focused on delivering the government's core missions for this Parliament: reducing child poverty, tackling climate change and securing a stronger, fairer and greener economy.
2.12	It is within this context that the SG presented its draft Scottish Budget 2022/23 to Parliament on 9th December 2021, which outlines its spending plans for the forthcoming financial year, alongside projected funding comprising; block grant funding from HM Treasury, receipts generated by taxes devolved to Scotland through the Scotland Act 2012 and the Scotland Act 2016, planned use of devolved borrowing powers.
2.13	These proposals are now subject to parliamentary scrutiny, with the aim of securing approval and enacting the required legislation before the start of the financial year. The associated tax measures are subject to separate legislation.
2.14	Alongside its budget proposals, the SG published its Public Sector Pay Policy. The 2022/23 pay policy provides a basic pay increase of £700 for public sector workers who earn between £25,000 and £40,000, and £500 for those earning over £40,000.
2.15	The SG recognises the importance of supporting lower paid staff within the public sector. The 2022/23 pay policy introduces a Scottish public-sector wage floor of £10.50 per hour and provides a guaranteed cash underpin of £775 for all staff who earn £25,000 or less.

3	Scottish Budget 2022/23 – SFRS Allocation																																		
3.1	<p>The draft SFRS budget, as outlined within the Scottish Government’s Scottish Budget 2022/23, is shown in the table below;</p> <table border="1" data-bbox="347 286 1396 683"> <thead> <tr> <th data-bbox="347 286 705 414" rowspan="2">SFRS</th> <th data-bbox="705 286 884 414">Actual 2021/22 (£m)</th> <th data-bbox="884 286 1062 414">Draft 2022/23 (£m)</th> <th colspan="2" data-bbox="1062 286 1396 347">Increase/ (Decrease)</th> </tr> <tr> <th colspan="2"></th> <th data-bbox="1062 347 1228 414">(£m)</th> <th data-bbox="1228 347 1396 414">%</th> </tr> </thead> <tbody> <tr> <td data-bbox="347 414 705 459">Total Budget</td> <td data-bbox="705 414 884 459">343.2</td> <td data-bbox="884 414 1062 459">352.7</td> <td data-bbox="1062 414 1228 459">9.5</td> <td data-bbox="1228 414 1396 459">2.8</td> </tr> <tr> <td data-bbox="347 459 705 504">Less Non-Cash</td> <td data-bbox="705 459 884 504">26.0</td> <td data-bbox="884 459 1062 504">26.0</td> <td data-bbox="1062 459 1228 504">-</td> <td data-bbox="1228 459 1396 504">-</td> </tr> <tr> <td data-bbox="347 504 705 548">TOTAL CASH</td> <td data-bbox="705 504 884 548">317.2</td> <td data-bbox="884 504 1062 548">326.7</td> <td data-bbox="1062 504 1228 548">9.5</td> <td data-bbox="1228 504 1396 548">2.8</td> </tr> <tr> <td data-bbox="347 548 705 593">Resource (Cash)</td> <td data-bbox="705 548 884 593">284.7</td> <td data-bbox="884 548 1062 593">294.2</td> <td data-bbox="1062 548 1228 593">9.5</td> <td data-bbox="1228 548 1396 593">3.3</td> </tr> <tr> <td data-bbox="347 593 705 638">Capital (Cash)</td> <td data-bbox="705 593 884 638">32.5</td> <td data-bbox="884 593 1062 638">32.5</td> <td data-bbox="1062 593 1228 638">-</td> <td data-bbox="1228 593 1396 638">-</td> </tr> </tbody> </table> <p data-bbox="151 705 263 795">3.2</p> <p data-bbox="263 705 1473 795">The overall increase in funding is £9.5million (2.8%) with a resource funding increase of 3.3% and no increase for capital.</p> <p data-bbox="151 806 263 974">3.3</p> <p data-bbox="263 806 1473 974">Important to highlight that the employer’s national insurance rates for 2022/23 has increased by 1.25% to fund the Health and Social Care Levy and compensation for SFRS is included within the £294.2million resource funding allocation. SFRS anticipates this will add £2.1million to our employer’s costs.</p> <p data-bbox="151 985 263 1086">3.4</p> <p data-bbox="263 985 1473 1086">This budget is provided to support the recovery from COVID 19 including the latest Omicron variant and enable SFRS to expand its work on fire prevention and fire safety with vulnerable households, and improve firefighters’ emergency medical response capability.</p> <p data-bbox="151 1108 263 1265">3.5</p> <p data-bbox="263 1108 1473 1265">SFRS welcome the 2.8% increase in our budget in order to help us meet the increased costs referred to in the paragraphs above, however, it is an extremely challenging resource budget and the Service will have to work tirelessly to balance our budget. SFRS remains fully committed to protecting our staff and communities from new and emerging risks.</p> <p data-bbox="151 1276 263 1489">3.6</p> <p data-bbox="263 1276 1473 1489">The significant capital backlog to maintain our buildings plus the issues with RAAC panels means that a flat cash settlement will leave us unable to continue to invest in our fire stations beyond emergency repairs. This will mean the Service may be unable to attract the diverse workforce that we aspire to and some of our fire stations may become uninhabitable in 2022/23.</p>	SFRS	Actual 2021/22 (£m)	Draft 2022/23 (£m)	Increase/ (Decrease)				(£m)	%	Total Budget	343.2	352.7	9.5	2.8	Less Non-Cash	26.0	26.0	-	-	TOTAL CASH	317.2	326.7	9.5	2.8	Resource (Cash)	284.7	294.2	9.5	3.3	Capital (Cash)	32.5	32.5	-	-
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4	Strategic Context																																		
4.1	<p>In 2017 the Service published its Long Term Financial Strategy (LTFS) for the ten-year period to 2027. The strategy set out the preferred strategic scenario <i>Spreading Like Wildfire</i>, in which SFRS takes on a wide range of new responsibilities, beyond its traditional role, and is supported by SG with appropriate funding. The LTFS is an important strategic document that enables us to judge whether our funding is in line with our expectations and needs.</p>																																		
4.2	<p>The LTFS set out resource budget parameters for 2022/23 as a minimum of £271.4million and maximum of £293.8million. The current budget proposal reflects the anticipated resource budget to be at the top end of the LTFS estimate however, the LTFS assumed inflation in line with Bank of England 2% target and did not anticipate the impact of COVID 19 and EU exit.</p>																																		
4.3	<p>SFRS continues to seek to modernise the Service in line with our Long-Term Vision, the resource funding allocated whilst within LTFS parameters will present a challenge to absorb the inflationary pressures post COVID 19, EU exit, the continuing Covid 19 recovery activities and the rise in national insurance rates.</p>																																		

4.4	The LTFS highlighted that capital funding of around £80million per annum would be required to bring our existing assets up to minimum satisfactory condition and to maintain their condition over the 10-year period. Funding of approximately £40million to £47million per annum would be required to prevent further deterioration of our assets over the 10-year period. In real terms, since April 2013 (using treasury's GDP deflator) the Service has received on average £27.482million including capital receipts per annum. The funding set out in the CSR of £32.5million will result in our assets deteriorating further over the next four years and increase our maintenance costs funded from the resource budget.
4.5	Additional funding through net zero transition grants will help the service to reduce its carbon emissions as part of our carbon management plan but will not fundamentally alter the overall asset condition or suitability. The Service is developing a case for change to SG for our estate strategy in tandem with the service needs being identified through the Service Delivery Model Programme.
4.6	The LTFS requires revision to reflect the current asset position and investment profile and to support the Long-Term Vision published in 2021. The Service's financial sustainability is threatened by inadequate capital funding and a revised LTFS will be progressed in 2022/23 once the RSR for SFRS is known in May 2022.
4.7	Budget plans for next year will be based around developing opportunities to modernise the service, agreed recovery areas such as training, Home Fire Safety Visits and providing capacity across the organisation for additional recovery activities. A key objective of the Service is to continue to recruit wholetime firefighters to reach our Target Operating Model (TOM) by August 2024. The capital programme will seek to generate additional capital receipts and prioritise investment in assets on a risk basis.
4.8	SFRS has continued to engage with partners including Scottish Ambulance Service over the winter period to support the wider Scottish recovery. Budget plans will reflect these requirements, alongside maintaining our core service delivery, together with supporting our Long Term Vision, and putting in place the enablers that bring it to life.
4.9	The Home Office Emergency Services Mobile Communications Programme (ESMCP) which will provide a replacement for our current airwave communication network continues towards implementation. Last year the Service recovered our project costs associated with the planning and preparations for this programme via SG. There remains significant uncertainty over funding for this programme as our forecasted implementation costs reported to SG differ substantially from the Programme's business case and subsequent Home Office funding. The Service will continue to seek recovery of all its costs associated with implementing the new system and the ongoing running costs over the expected 16-year lifecycle for the new solution.
5	Resource Budget
5.1	Employee costs account for c.80% of the SFRS budget, and as such pay inflation is a material and inevitable cost pressure. The cost of each 1% increase in pay for all staff groups is c. £2.2 million per annum.
5.2	SFRS has agreed a pay offer for support staff for this financial year. The offer is detailed below: <ul style="list-style-type: none"> • £800 flat rate increase for those SFRS support staff earning an annual salary of less than £25,000; • A 2.5% increase for those earning an annual salary of between £25,000 and £78,000; • A 1.5% increase for those earning an annual salary above £78,000 for posts within the support staff pay and grading structure.

5.3	This offer is approximately £124,000 over budget and exceeds Scottish Public Sector Pay Policy (SPSPP) but has been agreed with SG and remains affordable. The budget for next year will take account of this higher pay offer and a budget assumption for April next year is that support staff pay for 2022/23 will be in line with SPSPP as noted at 2.15.
5.4	For uniformed staff pay, SFRS operates within the UK-wide National Joint Council (NJC) arrangements. The Service will use its voice within the NJC to make the case for firefighters pay to be appropriately recognised. In relation to the annual pay round for 2022/23, it is considered that this should make reference to the SPSPP and be affordable to the Service. The budget for uniform pay awards will be developed based on the latest proposals from NJC. The current budget assumption is that uniform pay will increase by 2%.
5.5	For retained firefighters any pay increase will reflect the NJC pay awards as noted above. The agreement on harmonisation of terms and conditions for Retained Duty System (RDS) staff remains outstanding but provision will be made in the budget for the new proposal that the hours available for drill nights be increased from 2 to 3 hours for all RDS personnel.
5.6	The staffing budgets are based on the medium-term resourcing plans provided by HR and reflect the overall direction of the Workforce and Strategic Resourcing Plan. A Target Operating Model (TOM) for wholetime, control staff, and support staff is produced and maintained. There is no expected change to the current TOM for the 2022/23 period. Workforce planning provide detailed information and assumptions on vacancies, recruitment of trainees, expected retirals and transfers which is used to develop the staffing budgets.
5.7	For wholetime and control our objective is to maintain resources as close as possible to TOM. Due to COVID 19 it has not been possible to recruit and train sufficient resources to maintain our TOM as retirals/leavers exceed our recruitment. In addition, the staffing budget reflects salary increments and the estimated mix of resources that are progressing from development to competent at each rank level throughout the year. Our COVID 19 recovery plan seeks to accelerate the recruitment of trainees to reach our TOM by August 2024. The financial consequence of not having sufficient resources means overtime needs to be factored into our budget to maintain appliance availability and sufficient control room staffing levels.
5.8	As a 24/7 emergency service, our 5 watch duty system is managed by our central staffing team who use Out of Pattern Roster Reserve (OPRR) to provide resources to cover public holidays, annual leave and training. In addition, overtime or detached duties (moving resources between stations) is authorised to maintain 96% availability and cover short term absences or any shortfalls. Overtime or detached duties are also used where specific skills are required to maintain availability. In 2022/23 an additional public holiday has been announced to celebrate the Queen's platinum jubilee on Friday 3 rd of June this will require the use of OPRR, detached duties and overtime to cover this public holiday and will be factored into the wholetime staff budget.
5.9	There is no agreed TOM for the RDS workforce and the staffing budget reflects the forecasted resources available for 2022/23 including recruitment and leavers. The RDS budget will support increased community safety activities to enhance community safety at a local level as a response to reduced incident turnouts from unwanted fire alarm signals. The budget includes the offered change associated with the RDS terms and conditions harmonisation in respect of training hours. The service is committed to improving terms and conditions for our RDS to make the role as attractive as possible and to maintain resources at RDS stations commensurate with the risks to our communities.
5.10	For support staff the budget is based on people currently in post, including those additional posts recruited during 2021/22 to support COVID recovery and other key priorities, plus anticipated recruitment during 2022/23.. The support staffing budget reflects the timelines for recruiting to fill vacancies and differentiates between internal and external recruitment

	<p>based on historical experience. The support staff budget includes provision for salary increments for those new into post or for any regrades.</p>
5.11	<p>The Covid-19 pandemic and subsequent global supply chain issues have led to suppliers seeking to pass cost increases through existing contracts (predicated on exceptional rising raw material, labour and transportation costs). Whilst these increases are robustly challenged through our contract management arrangements, costs will inevitably rise. Typically, non-pay related costs are uplifted in line with projected Consumer Price Inflation (CPI) as our long-term contracts normally allow for CPI adjustment. The Bank of England (BoE), recent published Monetary Policy Report (November 2021), projects that inflation will rise temporarily to 5% by April 2022, and reduce to 2% by end of 2024 as interest rates rise from the historical low of 0.1% to 1%. CPI projections from both the Office for Budget Responsibility (OBR) and BoE will continue to be closely monitored, our budget assumption is that inflationary CPI of 4% will be included in non-pay related expenditure and where possible efficiencies to mitigate will be identified.</p>
5.12	<p>An area of concern in the medium term is the cost of utilities and specifically gas and electricity prices which feeds into the overall inflation indicated above. The Service relies on SG framework contracts for electricity and gas and benefits from pooling public sector requirements in terms of volume and to forward purchase supply at fixed prices in the future to give certainty. The recent market volatility in electricity and gas will result in future prices much higher than those experienced in the past. The budgeted assumption for percentage increases in electricity is 11% and gas 17% for 2022/23. Our carbon management response plan will seek to reduce our consumption of energy over time but these price increases will need to be absorbed in the short term. Savings from environmental projects are ring fenced to support future investment in carbon reduction projects.</p>
5.13	<p>The lack of capital investment in our buildings and the impact of increasing labour rates and EU exit costs on supply chain has already increased our maintenance costs. The recent contract for our hard facilities maintenance has increased by £2.5million per annum (46% increase over previous service provision). This increase in cost was reviewed by the Strategic Leadership Team in August 2021 but was considered to be unavoidable given the current condition of the estate. The new contract comes into effect in February 2022.</p>
5.14	<p>The Service seeks to achieve best value in how we deliver our services in line with our strategic aims and objectives and our performance measured through our public value outcome. Our approach is to seek Best Value through management driven process improvements and efficiencies, Directorate driven service wide improvements and strategic change and public value benefits through our change portfolio. Budgeted efficiencies are included to reach a balanced budget position. Details of these efficiencies will be included in the budget proposals for the Board.</p>
5.15	<p>The Service supported the Scottish Ambulance Service and Public Health during the pandemic and recovered £270,000 from Health via SG for our costs associated with Test and Protect. This year we will continue to work in partnership and where appropriate recover our costs.</p>
5.16	<p>The Service participates in collaboration through the Reform Collaboration Group and is progressing many collaborative opportunities. Some of the working groups open new areas to explore and others seek to deepen existing relationships particularly around asset sharing. Sharing of stations with other public-sector organisations has grown significantly over recent years and a standard approach has been developed. SFRS now has 54 shared locations producing an income of £462,000 to support ongoing running costs at these locations. The budget for next year will include additional shared locations expected to come on stream in 2022/23 with a revised budgeted income in excess of £500,000.</p>

5.17	The resource budget is traditionally presented to the Board based on standard income and expenditure lines. The Service is researching its ability to report the allocation of budget to specific objectives or outcomes to increase transparency and present additional opportunity for scrutiny of the budget. In addition, Board members will be invited to support further development of financial reporting arrangements to meet Board Members' needs.
5.18	The Medium Term Financial Model will be used to determine the likely impacts from the 2022/23 budget into future years. An indicative budget for the next two years will be included as a comparator for the 2022/23 budget proposal. Once the resource funding has been indicated by SG in May 2022 as part of the Resource Spending Review a medium term financial plan can be developed until 25/26.
6	Capital Budget
6.1	Last year SG as part of the CSR allocated SFRS a base GiA for Capital DEL of £32.5million for each year to 2025/26.
6.2	The Board approved a 3-year Capital Programme in March 2021 covering 2021–2024. This was intended to be a rolling 3-year programme however the impact of Covid 19 on supply chains has significantly impacted the delivery of this year's capital plan.
6.3	In October 2021, the Board authorised the reallocation of capital to cover increasing costs to deliver construction projects due to the increase in raw material costs and the need to maintain Covid 19 secure work practices on sites. The Board also agreed to reassign capital to projects within the three year capital programme that could be accelerated and delivered before the end of the current financial year. Planned expenditure for 2022/23 will take account of programme re-profiling undertaken during 2021/22.
6.4	The cost of construction materials is significantly higher compared to a year ago; indeed the Royal Institution of Chartered Surveyors (RICS) have recently reported that construction materials costs in the UK continue to escalate, reaching a 40 year high based on the annual growth of the Building Cost Information Service (BCIS) Materials Cost Index. This can largely be attributed to increased global demand in the construction sector, combined with the multiple and complex impacts of the pandemic and logistic issues, which have resulted in unprecedented shortages, delays and ultimately, increased prices of materials and labour across the economy. Within the UK, complications resulting from Brexit have exacerbated this situation, affecting all aspects of trade and labour availability. The repercussions are acutely impacting the UK construction sector. The RICS forecasts that the BCIS Material Cost Index at January 2022 will be 17.6%, meaning that the cost of materials will be significantly greater than last year. Similarly, a report by the consultants Turner & Townsend states that tender prices could go up 10 per cent in 2022, compared to where they stood a year ago. The increase in construction costs therefore remains for future property projects and this has been considered and will be factored in to the capital programme moving forward.
6.5	In considering our capital expenditure proposals for next year's capital programme, the Service reviewed the investment required over the next ten years in each asset category being Property, Fleet, PPE and equipment. The review in line with LTFS concluded that current funding falls significantly short of the required investment to deliver a modern service that provides SFRS with the asset capabilities needed to meet the risks that our communities faced.
6.6	Recognising that SG and UK finances are constrained by the current economic impacts of COVID 19. SFRS has revised the approach to allocating the £32.5million over the next four years adopting a risk based approach which would minimise the risk of failure in terms of service delivery. This is not a sustainable approach under investment will lead to increasing resource costs to maintain assets in short, medium and long term until investment levels can

	<p>be increased. The approach recognises that whilst the current funding available is insufficient, capital spend should be allocated on the most urgent risks that need to be addressed. In addition, the Service intends in the short term to invest in assets that will realise significant capital receipts that can be ring fenced and reinvested back into our stations as part of our future capital programme.</p>
6.7	To maximise the opportunities of co-location, work will continue, through the emergency services Reform Collaboration Group and other collaborative arrangements, to identify and exploit opportunities that maximise public value from both existing and future investment.
6.8	The Service approved its Carbon Management Plan 2020-2025 in December 2020, which seeks to reduce carbon emissions by 30% over the five-year period, and includes a capital requirement of £48.4million. Work will continue, in conjunction with Scottish Government and other partners, to identify and bid for funding in support of the Plan, adopting IIP principles. All confirmed funding will be incorporated within the Capital Programme.
6.9	In transitioning our light fleet to electric important to recognise the cost of replacing a combustion engine vehicle with an electric vehicle is in most instances nearly double the current cost. For example, an electric equivalent for our Flexi Duty Officers diesel Kia Nero Estate vehicles is £37,000 compared to a discounted £18,000 current cost. Demand for electric cars is increasing and manufacturers are also not offering significant discounts. The factors outlined above compound the overall inflationary rises in the cost of purchasing vehicles.
6.10	Notwithstanding the planned approach to prioritisation and collaboration, the “flat cash” funding settlement outlined within the draft budget proposal is particularly challenging. Asset investment backlog has been regularly highlighted over several years with, for example, over 50% of the estate assessed as being in poor or worse condition, over 60% assessed as poor or worse for suitability requiring investment to offer dignified facilities and to reconfigure areas to control fire contaminants after incidents, and 50% being more than 40 years old. In addition, during 2019/20, the presence of Reinforced Aerated Autoclaved Concrete (RAAC) panels was detected in numerous roofs within the SFRS estate, resulting in immediate and ongoing additional costs to maintain these buildings in operational use, with a significant investment requirement in the medium to longer term of around £70million.
6.11	It is considered that to achieve an asset base that is fit for a modern, collaborative fire and rescue service spanning the diverse geography of Scotland will require substantial investment, beyond the CSR and current annual allocation. Our Service Delivery Model Programme will identify options for change in the short, medium and long term based on community risks. While capital forecasts for future years will be based on the 2022/23 budget allocation, and any capital receipts, work will continue in conjunction with the SG, to make the case for additional funding.
7	Recommendation
7.1	<p>The Board is asked:</p> <ul style="list-style-type: none"> to approve the Budget Strategy for 2022/23.
8	Key Strategic Implications
8.1	Risk
8.1.1	The risks identified are included in the Service’s Strategic Risk Register as part of the Service’s overall risk assurance framework and mitigating actions are reviewed to reduce these risks over time. Risks associated with the budget will be included in the budget proposals and the Resource and Capital Budgets presented to the Board for approval.

8.2 8.2.1	Financial The financial implications are outlined within the report. The financial risk is that the Service does not have adequate funding of its assets to maintain financial sustainability in the medium term.
8.3 8.3.1 8.3.2	Environmental & Sustainability The SFRS Climate Change Response Plan 2045 sets out how the Service will respond to climate change, which will require significant investment over the next 25 years. In December 2020 the Board approved the first 5-year Carbon Management Plan, covering the period 2020-2025, which details the key projects and funding required to meet the Scottish Government's commitment of Net Zero carbon emissions by 2045. Environmental projects are dependent on separate funding from government through transition to net zero grants. The Service has received ring fenced funding for decarbonisation of our stations and to develop our electrical charging infrastructure as indicated in section 2. The funding is contributing to meeting our environmental objectives to reduce our energy consumption and our carbon emissions. Increased funding from Scottish Government secured over the medium term is required to meet the carbon management plan. In addition, greater flexibility on how this funding is secured and applied is required if the Service is to meet our ambitions in this area.
8.4 8.4.1	Workforce Employee implications of budget plans will be fully evaluated and discussed as required with representative bodies.
8.5 8.5.1	Health & Safety The health and safety of our firefighters is part of our core values. Whilst all steps are taken to meet legislative requirements, the condition and suitability of our stations as indicated in section 6 is a concern and may require us to move out of stations for the welfare of our firefighters. Moreover, funding is required to reconfigure our stations to address the health risks associated with fire contaminants.
8.6 8.6.1	Training There are no training implications directly associated with this report.
8.7 8.7.1	Timing It is intended that budget proposals will be presented to the Board for approval in March 2022, following consideration at an informal strategy session in February.
8.8 8.8.1	Performance Budget setting aims to ensure that SFRS can deliver its service within the allocated financial resources.
8.9 8.9.1	Communications & Engagement Budget plans have been developed with engagement of budget holders and the Strategic Leadership Team to ensure that budget plans are targeted to meet the Service's strategic objectives and to achieve a balanced budget. The budget once approved by the Board will be communicated to budget holders and uploaded into our financial system for monitoring and reporting.
8.10 8.10.1	Legal and Regulatory SFRS is required through its Governance & Accountability Framework to develop an annual operating plan, linked to budgeting information, demonstrating that resources have been allocated to specific objectives.

8.11 8.11.1	Information Governance <i>DPIA completed No. This report does not contain any personal information.</i>	
8.12 8.12.1	Equalities <i>EIA completed No. An Equality Impact Assessment and Island Impact Assessment will be carried out as part of the budget setting process.</i>	
8.13 8.13.1	Service Delivery In setting its budget for the forthcoming financial year, SFRS aims to deliver the best possible service to the communities of Scotland within the available funding. The challenges indicated in terms of capital funding and the condition of our stations particularly those with RAAC panel issues presents a real and present risk that our stations will not be able to continue to operate as designed which could affect Service Delivery and fire cover.	
9	Core Brief	
9.1	The Acting Director of Finance and Procurement asked the Board, to approve the Budget Strategy for 2022/23, which outlines the approach to developing both Resource and Capital budgets, within the context of the Scottish Government's budget proposals.	
10	Appendices/Further Reading	
10.1	Further Reading: <ul style="list-style-type: none"> - Scottish Budget 2022-23, Scottish Government, December 2021 - Scottish Public Sector Pay Policy 2022-23, Scottish Government, December 2021 - The Scottish Government's Medium-Term Financial Strategy, Scottish Government, December 2021 - A National Mission with Local Impact, Infrastructure Investment Plan for Scotland 2021-22 to 2025-26, Scottish Government, February 2021 - Investing for Jobs: Capital Spending Review 2021-22 to 2025-26, Scottish Government, February 2021 - Long Term Financial Strategy 2017 – 2027, SFRS, December 2017 - Strategic Plan 2019-2022, SFRS, October 2019 - Workforce and Strategic Resourcing Plan 2018-2021, SFRS, January 2019 - Asset Management Strategy, SFRS, June 2019 - Carbon Management Plan 2020-2025, SFRS, December 2020 	
Prepared by:	John Thomson, Acting Director of Finance and Procurement	
Sponsored by:	John Thomson, Acting Director of Finance and Procurement	
Presented by:	John Thomson, Acting Director of Finance and Procurement	
Links to Strategy and Corporate Values		
Working Together for a Safer Scotland		
Governance Route for Report	Meeting Date	Report Classification/ Comments
<i>Strategic Leadership Team</i>	<i>12 January 2022</i>	<i>For Discussion</i>
<i>Strategic Leadership Team</i>	<i>26 January 2022</i>	<i>For Recommendation</i>
<i>Board Strategy day</i>	<i>27 January 2022</i>	<i>For Discussion</i>
<i>Board</i>	<i>24 February 2022</i>	<i>For Decision</i>