

OFFICIAL



SCOTTISH  
FIRE AND RESCUE SERVICE

Working together for a safer Scotland

16 February 2023

**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 23 February 2023

**Time:** 0900 hours

**Venue:** Braidwood Suite, Scottish Fire and Rescue Service Headquarters, Westburn Drive, Cambuslang, G72 7NA / Conference Facilities

The business for the meeting is detailed overleaf.

Should you require any other information, please contact Group Commander Kevin Murphy on 07780 468734, 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 for minutes taking purposes only  
The recording will be destroyed following final approval of the minutes.



**SCOTTISH**  
**FIRE AND RESCUE SERVICE**

Working together for a safer Scotland

**SPECIAL MEETING - THE BOARD OF SCOTTISH FIRE AND RESCUE SERVICE**  
**THURSDAY 23 FEBRUARY 2023 @ 0900 HOURS**  
**BRAIDWOOD SUITE, SCOTTISH FIRE AND RESCUE SERVICE HEADQUARTERS,**  
**WESTBURN DRIVE, CAMBUSLANG, G72 7NA / 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 APPROACH 2023/24 (attached)** *J Thomson*

*The Board is asked to approve the report.*

- 6 DATE OF NEXT MEETING**  
Thursday 30 March 2023

**PRIVATE SESSION**

- 7 JENNERS INVESTIGATION (verbal)** *R Haggart*

*The Board is asked to note the verbal update.*

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Report No: B/FCS/03-23

Agenda Item: 5

Report to:	THE BOARD OF SCOTTISH FIRE AND RESCUE SERVICE						
Meeting Date:	23 FEBRUARY 2023						
Report Title:	BUDGET APPROACH 2023-24						
Report Classification:	For Decision	<b>Board/Committee Meetings ONLY</b> <b>For Reports to be held in Private</b> <b>Specify rationale below referring to</b> <b><u>Board Standing Order 9</u></b>					
		<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>
<b>1</b>	<b>Purpose and feedback on earlier version by Board</b>						
1.1	The purpose of this report is to provide the Board with an updated version of the proposed budget approach for 2023/24 for approval.						
1.2	The initial budget strategy report was discussed by the Board on the 15 December 2022 before the publication of the Scottish Budget later that day by Scottish Government.						
1.3	The Board reflected that the report was not a strategy more an approach to the budget for next year and title of report should be amended. The main concern was the deliverability of the £12million in savings required to achieve a balanced budget for 2023/24 given no compulsory redundancy and the risk that further savings would be required to meet pay demands. The subsequent publication of the Scottish Government budget allocation for Scottish Fire and Rescue Service (SFRS) now reduces the expected level of savings required for 2023/24 and the deliverability risk.						
1.4	The Board also sought an update on the four year savings programme (previously presented at Board strategy days) to cover the Resource Spending Review. The Board were advised this programme had been formally initiated and would be undertaken as a strategic programme and reported through the Change Committee.						
1.5	The Board considered that the Long Term Financial Strategy 2017 to 2027 (LTFS) was no longer a helpful reference given the significant changes in the financial environment and asked that the LTFS be updated in due course.						
1.6	The Board asked that the amended Budget Approach should be presented at the next formal public meeting for approval.						
1.7	This version has been updated to reflect the Board's feedback and the subsequent Scottish Budget published on the 15 December 2022 by Scottish Government.						
<b>2</b>	<b>Background</b>						
2.1	SFRS is funded directly through Grant in Aid (GiA), as detailed in the annual Budget (Scotland) Act.						

2.2	<p>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. SFRS has no ability to hold reserves and must ensure annual spend is within agreed budget limits (RDEL and CDEL).</p>
2.3	<p>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.</p>
2.4	<p>Towards the end of 2021, the Service initiated a review of its assets and has reported on the condition and suitability of its assets across its property estate, fleet and equipment. This highlighted that despite current funding the condition of our property assets continues to deteriorate.</p>
2.5	<p>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 for decarbonisation projects at stations, building electric vehicle infrastructure as part of a collaborative "blue light" infrastructure, procuring its first electric appliance with support from Transport Scotland and continuing to transition away from diesel to electric vehicles. It is important to highlight that whilst decarbonisation is a priority to respond to climate change by reducing our carbon emissions it does not significantly change the condition or suitability of our assets.</p>
2.6	<p>In July 2022, the Scottish Government's Directorate for Energy &amp; Climate Change, awarded SFRS £1.935million in additional grant 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 and a multi-year application will be made in January 2023.</p>
2.7	<p>The recovery from the coronavirus pandemic and Brexit in terms of economic recovery continues to impact the Service with supply chains not fully recovering and significant price increases being passed on by suppliers. In addition, the current conflict between Ukraine and Russia has fuelled increases in food and energy prices. The inflationary pressures from all these events has led to annual inflation now running at 10.5% with energy and fuel prices significantly higher than the headline rate.</p>
2.8	<p>The Scottish Government published its Medium Term Financial Strategy in December 2021 and subsequently produced a four year indicative Resource Spending Review in May 2022. SFRS along with rest of the Justice Portfolio received a proposed flat cash resource budget allocation for the next four years.</p>
2.9	<p>Following the UK Government Autumn budget statements, SG presented its draft Scottish Budget 2023/24 to Parliament on 15 December 2022, which outlined 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.</p>
2.10	<p>These proposals will be 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.</p>

2.11	Alongside its budget proposals, the SG was expected to publish its Public Sector Pay Policy (PSP). However, due to current pay negotiations across public sector this has not been set. The UK fiscal position and Scottish Government financial constraints will provide a challenging backdrop to pay negotiations similar to this year. The SG recognises the importance of supporting lower paid staff within the public sector and it is likely this will remain an area they will continue to support.																																
<b>3</b>	<b>Scottish Budget 2023/24 – SFRS Allocation</b>																																
3.1	<p>The draft SFRS budget, as indicated in the Scottish Budget published on 15 December 2022, is shown in the table below;</p> <table border="1" data-bbox="355 539 1331 936"> <thead> <tr> <th rowspan="2">SFRS</th> <th rowspan="2">Actual 2022/23 (£m)</th> <th rowspan="2">Draft 2023/24 (£m)</th> <th colspan="2">Increase/ (Decrease)</th> </tr> <tr> <th>(£m)</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Total Budget</td> <td>352.7</td> <td>363.7</td> <td>11.0</td> <td>3.1</td> </tr> <tr> <td>Less Non-Cash</td> <td>26.0</td> <td>27.0</td> <td>1.0</td> <td>3.8</td> </tr> <tr> <td><b>TOTAL CASH</b></td> <td><b>326.7</b></td> <td><b>336.7</b></td> <td><b>10.0</b></td> <td><b>3.1</b></td> </tr> <tr> <td>Resource (Cash)</td> <td>294.2</td> <td>304.2</td> <td>10.0</td> <td>3.4</td> </tr> <tr> <td>Capital (Cash)</td> <td>32.5</td> <td>32.5</td> <td>0</td> <td>0</td> </tr> </tbody> </table> <p>3.2 The overall budget has increased by £11million (3.1%) from £352.7 to £363.7million. There is a non-cash increase of £1.0million to cover depreciation of our assets. In cash terms, SG have allocated an additional £10.0million in resource budget funding with no increase in the capital budget allocation.</p> <p>3.3 The increase in resource budget to £304.2million (subject to parliamentary approval) is very much welcomed by the Service and provides additional funding to help support pay awards and inflationary pressures expected in 2023/24. Despite the increase, inflation and pay pressures plus the indicative flat cash funding over the remaining Resource Spending Review (RSR) period will require the Service to make savings in 2023/24 and subsequent years. The capital budget remaining fixed for another year will effectively mean a real terms reduction in spend on our assets.</p> <p>3.4 SFRS recognise the financial constraints of Scottish Government as part of the overall UK fiscal position and the wider economic outlook for the UK. The real terms reduction in resource funding due to inflation and pay awards will require reductions in all expenditure areas including uniform and support staff numbers as 80% of the Service's costs are staffing related. Service outcomes will be impacted and the Service will allocate its resources to minimise the impacts where possible. Whilst additional funding will provide some relief, the indicative flat cash thereafter over the subsequent three years will mean significant cuts in service provision are inevitable to maintain a balanced budget.</p> <p>3.5 The Service also recognises that pay demands may not be sustainable within proposed funding parameters and any proposed cuts in resources may lead to industrial action being called by unions. Any period of industrial action will significantly impact service delivery and resources will be prioritised as appropriate to meet our statutory duty to provide an emergency response and save lives.</p> <p>3.6 Capital investment is already constrained and allocated on a risk basis. The continuing flat cash position for capital combined with increasing construction costs will mean investment will be less than half of the required annual investment and lead to further deterioration in the condition and suitability of our stations.</p>	SFRS	Actual 2022/23 (£m)	Draft 2023/24 (£m)	Increase/ (Decrease)		(£m)	%	Total Budget	352.7	363.7	11.0	3.1	Less Non-Cash	26.0	27.0	1.0	3.8	<b>TOTAL CASH</b>	<b>326.7</b>	<b>336.7</b>	<b>10.0</b>	<b>3.1</b>	Resource (Cash)	294.2	304.2	10.0	3.4	Capital (Cash)	32.5	32.5	0	0
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4	<p><b>Long Term Financial Strategy and Medium Term Financial Modelling</b></p>																								
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 wider range of new responsibilities, beyond its traditional role, and is supported by SG with appropriate funding.</p>																								
4.2	<p>SFRS continues to seek to expand the role of the firefighter to meet the needs of our communities in line with our Long-Term Vision and LTFS, the Service recognise this can only be achieved through additional funding and current funding parameters are not sufficient to turn this ambition into a reality.</p>																								
4.3	<p>The LTFS set out resource budget parameters for 2023/24 as a minimum of £273.9 million and maximum of £300.3million (as shown in graph 1 below). The proposed funding reflects the anticipated resource budget to be within LTFS estimate however, the LTFS assumed inflation in line with Bank of England 2% target and did not anticipate the current inflationary environment and pay awards in excess of 2%. Current funding indications over the next four years will result in real terms reductions and savings being required to balance annual budgets.</p>																								
	<p>Graph 1</p> <table border="1"> <caption>Future Budget Scenarios Data</caption> <thead> <tr> <th>Year</th> <th>Expected Budget (£m)</th> <th>Lower Range - savings needed (£m)</th> <th>Upper Range - Additional savings needed (£m)</th> </tr> </thead> <tbody> <tr> <td>2022/2023</td> <td>294.21</td> <td>294.21</td> <td>0.00</td> </tr> <tr> <td>2023/2024</td> <td>304.21</td> <td>304.21</td> <td>5.46</td> </tr> <tr> <td>2024/2025</td> <td>304.21</td> <td>304.21</td> <td>17.01</td> </tr> <tr> <td>2025/2026</td> <td>304.21</td> <td>304.21</td> <td>25.18</td> </tr> <tr> <td>2026/2027</td> <td>304.21</td> <td>304.21</td> <td>31.53</td> </tr> </tbody> </table>	Year	Expected Budget (£m)	Lower Range - savings needed (£m)	Upper Range - Additional savings needed (£m)	2022/2023	294.21	294.21	0.00	2023/2024	304.21	304.21	5.46	2024/2025	304.21	304.21	17.01	2025/2026	304.21	304.21	25.18	2026/2027	304.21	304.21	31.53
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4.4	<p>The resource budget plan for next year reflects the increase in resource funding of £10million and requires an additional £5.5million in recurring savings for 2023/24 to cover the anticipated inflation and above budget pay awards for 2022/23. As part of our medium term financial modelling (MTFM), a number of financial scenarios have been modelled with 5% pay awards for this year and 2% for next year (MTFM minimum). Pay awards in excess of budget next year will result in further “in year” recurring savings being required but will be difficult to achieve (MTFM Upper). By 2026/27 the upper level of cumulative recurring savings required could be £31.5million based on a 5% pay award for 2023/24 and 2% thereafter with the assumption that inflation is back on target at 2%.</p>																								
4.5	<p>Turning to capital, the LTFS highlighted that capital funding of around £80million per annum would be required for three years to bring our existing assets up to minimum satisfactory condition and thereafter funding of approximately £40million to £47million per annum would be required to prevent further deterioration of our assets over the 10-year period. Six years on, annual funding of £63million per annum is now required to bring the asset condition and suitability to an acceptable level over the next ten years. The funding set out in the CSR of £32.5million will result in our assets deteriorating further over the next three years and increase our maintenance costs funded from our resource budget.</p>																								

4.6	The LTFS is an important strategic document that enables us to judge whether our funding is in line with our expectations and needs. The LTFS along with our MTFM has been used for reference over a number of years but it is recognised that a new LTFS is required to reflect the fundamental changes in the financial environment, the current condition of our assets and to support our LT vision and Strategic Plans. A new LTFS will therefore be progressed in 2023.
<b>5</b>	<b>Budget Approach and Engagement</b>
5.1	For the resource budget, the 2022/23 budget will be used as a baseline. Identified and agreed savings will be removed from existing budgets and tracked and reported as budgeted savings through the normal financial monitoring over the financial year. Finance Business Partners have worked with Directorates and budget holders to identify pressures/savings for 2023/24 and beyond and will continue to provide support in identifying and monitoring delivery of expected savings.
5.2	Staff savings (80% of savings) will be generated through staff turnover and reducing recruitment to minimum levels on an exception basis approved by the Strategic Leadership Team for Wholetime and Support staff. The Service will seek to apply alternative resource based crewing to achieve the required savings from frontline firefighters. For support staff, any new posts will require Strategic Leadership Team (SLT) approval and posts that become vacant will be removed unless SLT approve the post to continue. The Service will review organisational structures over the next four years to increase efficiency and effectiveness across all support functions guided by the process review work completed through the People, Training, Finance and Assets Systems (PTFAS) programme and where appropriate considering shared services. The Service follows SG guidance on no compulsory redundancies therefore savings can only be realised when individuals leave the Service typically at point of retirement.
5.3	Changes in firefighter pension regulations (the pension remedy) will allow individuals to leave the Service earlier than previously anticipated this will lead to greater numbers of retirals over coming years and particularly from 1 October 2023 when the new pension regulations come into force and individuals will have more information available to make an informed choice. The operational model will be modified to reflect these changes in consultation with representative bodies.
5.4	The potential requirement to make savings of £31.5million over the four year period is likely to impact crewing at stations and potentially stations will close after public consultation. The Service Delivery Model Programme has developed a robust model to align resources based on community risk and this will be used to determine the changes required. Given the scale and complexity of these strategic projects underpinning the savings it will be managed as a strategic programme and reported through the change portfolio office and to Change Committee.
5.5	Turning to Capital, the proposed capital projects as part of last year's programme for 2023/24 will be revisited and updated to reflect acceleration of capital programme spend and changes made in current strategic projects during this year.
5.6	The risk based approach developed through our strategic asset management plans will be utilised to prioritise capital projects. A draft capital programme will be developed and discussed with our Asset Management Liaison Board and subsequently with SLT and Board before being finalised and approved by the Board in March 2023.
5.7	Moving into next year it is anticipated that Change Portfolio Investment Group (A sub group of SLT/Senior Management Board and Portfolio Office) will start to review and prioritise change portfolio investments which will feed into the Capital Programme in the following year.

6	Resource Budget
6.1	Employee costs account for c.80% of the SFRS budget, and as such pay inflation is a material and inevitable cost pressure when there is no increase in funding.
6.2	SFRS agreed a pay offer for support staff for 2022/23 at 5%. This offer was significantly higher than Public Sector Pay Policy and was supported by Scottish Government. Despite the increase in funding, the Service will still require support staff savings to compensate for the pay award. For 2023/24 the expectation is that support staff pay offers will be in line with Scottish Government guidance.
6.3	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. For the 2022/23 pay award additional funding was agreed with SG to support an NJC offer of 5%, however this has been rejected by the FBU. On 9 February 2023, a revised pay offer of 7% for 2022/23 and 5% for 2023/24 was proposed via NJC and has been recommended for acceptance by the FBU. The budget for uniform pay awards will be developed based on these latest proposals.
6.4	For On-Call firefighters any pay increase will reflect the NJC pay awards as noted above. The agreement on harmonisation of terms and conditions for On-Call staff remains outstanding but provision will continue in the budget for the new terms and conditions offered including the hours available for drill nights being increased from 2 hours to 3 hours.
6.5	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. It is anticipated that the TOM will be revised in consultation with representative bodies to realise savings in line with predicted retirements and leavers. Workforce planning provide detailed information and assumptions on vacancies, recruitment of trainees, expected retirements and transfers which is used to develop the staffing budgets. The staffing budget for wholetime is based on workforce planning information and includes people in post plus expected recruitment and leavers plus overtime to maintain availability where Out of Pattern Roster Reserve(OPRR) is not available.
6.6	For Control our objective is to maintain resources as close as possible to TOM. For Wholetime, it has not been possible to recruit and train sufficient resources to maintain our TOM as retirements/leavers exceed our recruitment. Changes to firefighter pensions to reflect the pension remedy has led to 267 firefighters to date leaving the Service. Recruitment and transfers have been increased in 2022/23 to reduce the impact. There is a range of workforce planning scenarios that estimate between 252 and 486 firefighters could elect to leave the Service by December 2023.
6.7	The staffing budget reflects salary increments and the estimated mix of resources that are progressing from development to competent for firefighters throughout the year. The increase in retirements has led to greater numbers of personnel who are in development. The financial consequence of not having sufficient resources means overtime needs to be factored into our budget to maintain appliance availability and to maintain specialist skills.
6.8	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 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 2023/24 an additional public holiday has been announced to celebrate the King's coronation on Monday 8 <sup>th</sup> May 2023, 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.



6.9	<p>There is no agreed TOM for the On-Call workforce and the staffing budget reflects the forecasted resources available for 2023/24. On-Call staff play a key role in providing response cover in rural and island locations. Recruitment of On-Call will continue to improve the numbers of On-Call staff available. The On-Call budget for response to incidents will be maintained however the previous increase in budget to undertake greater community safety activities at a local level has not materialised and therefore the budget will be reduced.</p>
6.10	<p>The budget includes the offered change associated with the On-Call terms and conditions harmonisation. The service is committed to improving terms and conditions for our On-call firefighters to make the role as attractive as possible and to maintain resources at On-Call stations commensurate with the risks to our communities.</p>
6.11	<p>For support staff the TOM less known vacancies will be included and a vacancy factor of 7.5% will be applied as an efficiency factor to reflect the turnover of support staff during the year. This is exceptionally high as it was 2% pre Covid 19 and will create additional pressures on support staff. Agency staff will be reviewed to minimise costs. Vacancies that arise during the year will be realised as savings unless SLT agree to recruit the position. The support staff budget includes provision for salary increments for those new into post or for any regrades.</p>
6.12	<p>External factors (Brexit, Ukraine and Russia conflict and post covid 19 recovery globally) have continued to have a significant impact on supply chains and suppliers are 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 2022), suggests inflation for 2023/24 will on average be 6.6% and 1.22% in 2024/25</p>
6.13	<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 latest position in relation to prices for electricity and gas will be agreed with Scottish Government buying team and included in the budget. 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>
6.14	<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 and will continue to be a pressure.</p>
6.15	<p>Proposed uniform pay award settlements for both 2022/23 and 2023/24 will mean further savings are required to support a balanced budget and these have been identified. A flexible four year savings programme is being developed to support delivery of savings over the RSR period.</p>
6.16	<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</p>

	<p>over recent years and a standard approach has been developed. SFRS now has 64 (previous year 54) shared locations producing an income of £597,000 to support ongoing running costs at these locations. The budget for next year will include additional shared locations expected to come on stream in 2023/24 with a revised budgeted income in excess of £620,000.</p>
6.17	<p>The Home Office Emergency Services Mobile Communications Programme (ESMCP) which will provide a replacement for our current airwave communication network has been further delayed. Last year the Service recovered our project costs associated with the planning and preparations for this programme via SG.</p>
6.18	<p>The Service have now agreed with the Programme and Scottish Government to pursue an early data only version of the solution which will enable SFRS to receive early benefits of the solution and replace airwave components from vehicles with ESN units. The funding for this project is agreed between Home Office and Scottish Government and is separate ring fenced funding. This will be a strategic project through our change portfolio office.</p>
<b>7</b>	<b>Capital Budget</b>
7.1	<p>SG as part of the CSR allocated SFRS a base GiA for Capital DEL of £32.5million for each year to 2025/26. In 2021/22 an additional £2million of overspend was allowed by Scottish Government to accelerate capital investment.</p>
7.2	<p>The Board approved a 3-year Capital Programme in March 2022 covering 2022–2026. Similar to previous year supply chain difficulties have resulted in changes to this year's budget to maximise capital spend. On 30 June, the Board agreed to commit upto £5million for fleet orders to support delivery of vehicles in 2023/24. On 15 December, the Board approved the reassignment of capital allocation to projects within the three year capital programme that can be accelerated and delivered before the end of the current financial year. Planned expenditure for 2023/24 will take account of programme re-profiling undertaken during 2022/23.</p>
7.3	<p>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.</p>
7.4	<p>The cost of construction materials continues to be problematic due to global factors. The Royal Institution of Chartered Surveyors (RICS) forecasts that tender prices over the next three years will rise by between 3% to 4% per annum on the back of unprecedented increases of over 10% last year.</p>
7.5	<p>Last year the Service 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 as under investment will lead to increasing resource costs to maintain assets in short, medium and long term until investment levels can be increased.</p>
7.6	<p>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 has invested in the West Asset Resource Centre to realise significant capital receipts on the assumption that they can then be ring fenced and reinvested back into our stations as part of our future capital programme. Significant capital receipts however require approval by the SG's Deputy First Minister to allow the Service to retain the receipt for reinvestment.</p>

7.7	The asset investment backlog has been highlighted previously as both growing and insurmountable. The Service will use its scarce capital resources to tackle the most urgent issues. Based on expected capital receipts in 2024/25 a programme of station rebuilds for stations with Reinforced Aerated Autoclaved Concrete (RAAC) roofs will be undertaken. In addition, the lack of dignified and decontamination facilities is an urgent issue and £6million will be allocated in 23/24 to provide these facilities at some of our stations.
7.8	The PTFAS project will be curtailed to reallocate capital to other projects including progressing the Command and Control Mobilisation System.
7.9	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. Post COVID 19 the use of office facilities has substantially changed. There are opportunities to either share these sites with other public sector organisations or generate capital receipts if surplus to requirements and these will be fully explored to reduce ongoing running costs
7.10	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.
7.11	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 to support the Resource Spending Review. The closure of stations would reduce the asset backlog in property, fleet and equipment but will not resolve the issue.
<b>8</b>	<b>Recommendation</b>
8.1	The Board is asked to approve the updated Budget Approach for 2023/24.
<b>9</b>	<b>Core Brief</b>
9.1	The Acting Director of Finance and Procurement requested the Board to approve the draft Budget Approach for 2023/24, the report outlines the approach to developing both the Resource and Capital budgets, within the context of Scottish Government's budget proposals.
<b>10</b>	<b>Appendices/Further Reading</b>
10.1	<p>Further Reading:</p> <ul style="list-style-type: none"> <li>- <a href="#">Scottish Budget 2023-24</a>, Scottish Government, December 2022</li> <li>- <a href="#">The Scottish Government's Medium-Term Financial Strategy</a>, Scottish Government, December 2021</li> <li>- <a href="#">A National Mission with Local Impact, Infrastructure Investment Plan for Scotland 2021-22 to 2025-26</a>, Scottish Government, February 2021</li> <li>- <a href="#">Investing for Jobs: Capital Spending Review 2021-22 to 2025-26</a>, Scottish Government, February 2021</li> <li>- <a href="#">Long Term Financial Strategy 2017 – 2027</a>, SFRS, December 2017</li> <li>- <a href="#">Strategic Plan 2022-2025</a>, SFRS, October 2022</li> <li>- <a href="#">Carbon Management Plan 2020-2025</a>, SFRS, December 2020</li> </ul>

<b>11</b>	<b>Key Strategic Implications</b>	
11.1	<b>Key Strategic Implications Considered and those Identified Added Appropriately to Main Report/Detail (Section 3. Above)</b>	<b>Yes</b>
<b>Prepared by:</b>	John Thomson, Acting Director of Finance and Procurement	
<b>Sponsored by:</b>	John Thomson, Acting Director of Finance and Procurement	
<b>Presented by:</b>	John Thomson, Acting Director of Finance and Procurement	
<b>Links to Strategy and Corporate Values</b>		
Working Together for a Safer Scotland		
<b>Governance Route for Report</b>	<b>Meeting Date</b>	<b>Report Classification/ Comments</b>
<i>Strategic Leadership Team</i>	<i>7 December 2022</i>	<i>For Discussion</i>
<i>SFRS Board</i>	<i>15 December 2022</i>	<i>For Discussion</i>
<i>Strategic Leadership Team</i>	<i>11 January 2023</i>	<i>For Recommendation</i>
<i>SFRS Board (Special)</i>	<i>23 February 2023</i>	<i>For Decision</i>