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LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE

Wednesday, 7 July 2021 in Washington Hall, Service Training Centre, Euxton commencing at 10.00 am.

If you have any queries regarding the agenda papers or require any further information please initially contact Diane Brooks on telephone number Preston (01772) 866720 and she will be pleased to assist.

AGENDA

PART 1 (open to press and public)

Chairman's Announcement – Openness of Local Government Bodies Regulations 2014
This meeting will be held in line with Covid-19 restrictions.
Combined Fire Authority members will attend in person.

Members of the press and public can attend in person (subject to national Covid-19 restrictions) or view the meeting via a live webcast on YouTube.

Any persons present at the meeting may photograph, film or record the proceedings, during the public part of the agenda. Any member of the press and public who objects to being photographed, filmed or recorded should let it be known to the Chairman who will then instruct that those persons are not photographed, filmed or recorded.

1. APOLOGIES FOR ABSENCE

2. DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

   Members are asked to consider any pecuniary and non-pecuniary interests they may have to disclose to the meeting in relation to matters under consideration on the agenda.

3. MINUTES OF THE PREVIOUS MEETING (Pages 1 - 10)

4. MATERNITY POLICY (Pages 11 - 12)

5. YEAR END TREASURY MANAGEMENT OUTTURN 2020/21 (Pages 13 - 18)

6. YEAR END CAPITAL OUTTURN 2020/21 (Pages 19 - 26)

7. YEAR END REVENUE OUTTURN 2020/21 (Pages 27 - 32)

8. YEAR END USEABLE RESERVES AND PROVISIONS OUTTURN 2020/21 (Pages 33 - 42)

9. CORE FINANCIAL STATEMENTS 2020/21 (Pages 43 - 72)

10. FINANCIAL MONITORING (Pages 73 - 82)

11. DATE AND TIME OF NEXT MEETING

The next scheduled meeting of the Committee has been agreed for 10:00 hours on 29 September 2021 in Washington Hall, at Lancashire Fire & Rescue Service Training Centre, Euxton.

Further meetings are: scheduled for 1 December 2021 and 30 March 2022
proposed for 6 July 2022

12. URGENT BUSINESS

An item of business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chairman of the meeting is of the opinion that the item should be considered as a matter of urgency. Wherever possible, the Clerk should be given advance warning of any Member's intention to raise a matter under this heading.

13. EXCLUSION OF PRESS AND PUBLIC

The Committee is asked to consider whether, under Section 100A(4) of the Local Government Act 1972, they consider that the public should be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act 1972, indicated under the heading to the item.

PART 2

14. ISO 45001:2008 HEALTH & SAFETY AND ISO 14001:2015 ENVIRONMENTAL MANAGEMENT SYSTEMS ASSESSMENT AUDIT REPORTS (Pages 83 - 104)

15. PENSIONS UPDATE (Pages 105 - 116)

16. HIGH VALUE PROCUREMENT PROJECTS (Pages 117 - 122)

17. URGENT BUSINESS (PART 2)

An item of business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chairman of the meeting is of the opinion that the item should be considered as a matter of urgency. Wherever possible, the Clerk should be given advance warning of any Member's intention to raise a matter under this heading.

LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE

Wednesday, 24 March 2021, at 10.00 am in the Virtual Meeting accessible via MS Teams and YouTube (as a live webcast).

MINUTES

PRESENT:

Councillors

F De Molfetta (Chairman)
T Martin (Vice-Chair)
L Beavers
J Hugo
D O'Toole
M Pattison
P Rigby
G Wilkins
T Williams

Officers

J Johnston, Chief Fire Officer (LFRS)
K Mattinson, Director of Corporate Services (LFRS)
B Warren, Director of People and Development (LFRS)
J Bowden, Head of Finance (LFRS)
D Brooks, Principal Member Services Officer (LFRS)
N Bashall, Member Services Officer (LFRS)

104/19 CHAIRMAN'S ANNOUNCEMENT

The Chairman, County Councillor F De Molfetta welcomed Authority members and members of the press and public to the virtual committee meeting of the Resources Committee. He advised that in response to the Covid-19 pandemic the Government had made regulations that enabled virtual meetings. This meeting was accessible for Committee members via Microsoft Teams and for members of the press and public via a live webcast on YouTube.

The Committee Members individually confirmed their attendance at the start of the meeting.

105/19 APOLOGIES FOR ABSENCE

Apologies were received from Councillor Simon Blackburn.

106/19 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

107/19 MINUTES OF THE PREVIOUS MEETING

RESOLVED: - That the Minutes of the last meeting held on 25 November 2020 be confirmed as a correct record for signature by the Chairman.

108/19 REPORT ON TRANSACTION OF URGENT BUSINESS

RESOLVED: - That the report be noted and endorsed.

109/19 FINANCIAL MONITORING

The Director of Corporate Services presented the report.

Revenue Budget
The overall position as at the end of January showed an underspend of £0.6m, largely as a result of pay underspends as previously reported and detailed in the table in the report. Since the last Resources Committee, discussions had been held with budget holders on what impact the pandemic had had on their planned spend and virements totalling £0.5m had been identified which had been reflected as transferring into earmarked reserves for use in the next financial year. It was also proposed to transfer £0.1m of underspent Fleet Services budgets into the Covid fund, in relation to savings on vehicle running costs due to remote working during the pandemic. The National Fire Chiefs Council (NFCC) had been collating both spends and savings for the fire sector during the pandemic and reporting to the Home Office.

After allowing for this, the outturn position was currently expected to be an underspend of £0.4m as detailed in Appendix 1. It had previously been reported that the Ministry of Housing, Communities and Local Government (MHCLG) would be carrying out the annual national non-domestic rates return (NNDR3) reconciliation, and be making payments where appropriate to Authorities before the end of March 2021, however MHCLG had now confirmed that there would be no levy account distributions in 2020/21.

The year to date and forecast positions within individual departments were set out in the report with major variances relating to non-pay spends and variances on the pay budget being shown separately in the table below: -

Area	Overspend / (Under spend) to 31 Jan	Forecast outturn at 31 March	Reason
	£'000	£'000	
Service Delivery	(105)	(156)	The underspend for both to date and the outturn position largely related to the reduced activity levels, in particular for car allowances/mileage due to remote working during the pandemic, however the position allowed for the proposed transfer of

			the following into earmarked reserves, for use in the next financial year: • £104k for unspent smoke detector purchases; • £34k for spend on an USAR training prop, delayed by the pandemic.
Protection Trans-formation	-	-	The Protection Transformation department was created as a result of the Authority being able to access £310k in grant from the Home Office to support protection work in the wake of the Grenfell tragedy. It was anticipated spending circa £180k during the year on additional staff, staff training and updated software to meet the suggested improvements, with the balance being transferred to an earmarked reserve for use in the following year.
Covid-19	-	-	As previously reported, total funding of £1.4m had been received. £1m had been spent to date, with the balance being held in an earmarked reserve. The spend to date was: • Additional staff costs £71k; • Additional cleaning £21k; • Consumable items (eg sanitiser) £138k; • Remote working equipment £113k; • PPE £654k. It was expected that any further costs associated with the ongoing pandemic would be met from this fund. As reported above, £0.1m of underspends would be transferred in relation to savings against the Fleet & Technical Services budget due to the reduced use of vehicles during the pandemic. It was noted that the Home Office had issued a further tranche of allocations to the Fire Service from April next year of which LFRS had been allocated £225k which would be held in the earmarked reserve and drawn down as required.

Youth Engage-ment	(150)	(55)	This budget included both the Prince's Trust activities and the Fire Cadets units. The year to date position arose from the amended delivery model for Prince's Trust teams, where the residential fees and other team running costs were not being incurred. The forecast position anticipated the transfer of the balance of unspent Prince's Trust income into earmarked reserves to meet future running costs, but this would be brought for a decision during year end. Fire cadet units had been running remotely since last March, hence the expected year end underspend.
Training & operational review	(71)	(68)	The year to date and outturn position both reflected the reduced onsite catering requirement for the year alongside various other activity related underspends. However, the position allowed for the proposed transfer of £61k into earmarked reserves, in relation to training courses and training prop maintenance for use in the next financial year.
Fleet & Technical Services	(111)	(134)	The current underspend largely related to vehicle repairs and maintenance, where the anticipated (and budgeted) increases in the hourly rates charged by LCES had been mitigated thus far by careful management and scrutiny of repairs passed to LCES, with use of alternative contractors where cost effective to do so. In addition, LFRS benefitted from free fuel offered by BP to emergency services during the first quarter, and there had also been a general reduction in spend on fuel and tyres. The position allowed for the transfer of £50k into earmarked reserves in relation to unspent equipment R&D budget, and the transfer of £0.1m into the Covid fund as referred to earlier.
Property	(21)	(9)	All non-essential maintenance was put on hold in quarter one, and was gradually re-instated, departmental

			capacity and the ongoing situation meant that it was proposed to transfer a total of £264k into earmarked reserves in relation to backlog planned maintenance.
Non DFM	634	760	Both the current and outturn positions reflected the £0.4m funding gap identified at the time of setting the budget in February, and the additional £0.3m RCCO approved at the last meeting.
Wholetime Pay (including associate trainers)	(763)	(823)	In anticipation of reduced staffing levels due to the pandemic, 16 existing On Call staff who had been successful in the Wholetime recruitment campaign and who were initially due to commence on the recruits' course in September were allowed to commence riding Wholetime appliances in May. This ceased once they commenced the recruits' course in September. The additional cost of this was more than offset by a total of 22 early leavers since the budget was initially set, the majority of whom left in the early part of the year. This resulted in an average of 18 more under establishment than anticipated in the budget, an underspend of £0.8m. The outturn position included the completion of the ongoing January recruits' course in addition to all of the above.
On-Call Pay	164	201	The overspend reflected activity related payments for the year, which could be partly attributed to several moorland fire incidents during quarter one (a 36% higher activity level than quarter one last year) but had been higher on average <u>for the whole year</u> than the previous year. It was assumed that these would continue at broadly the same levels for the rest of the year.
Support staff (less agency staff)	(66)	(84)	The underspend related to vacant posts across various departments, which were in excess of the vacancy factor built into the budget. The underspend position arose due to the initial cessation of recruitment activity

			due to the pandemic, and subsequent reduced recruitment activity. Note - agency staff costs to date of £63k were replacing vacant support staff roles, this accounted for less than 1% of total support staff costs.

Capital Budget

The Capital budget for 2020/21 stood at £11.2m. Following on from the Fire Authority budget setting meeting in February, the 2020/21 capital programme had been adjusted to remove the items flagged as slipping into 2021/22, due to the ongoing pandemic and associated capacity issues, as follows:

Aerial Ladder Platform (to be replaced with a Turn Table Ladder)	£0.590m
Command Units (Mobile Fire Stations)	£0.580m
Pumping appliances x 5 (1920 & 2021 budgets)	£1.060m
Water tower	£0.500m
Softrack All-Terrain Vehicle	£0.083m
Pod x 3 (1819, 1920 & 2021 budgets)	£0.083m
Various support vehicles	£0.174m
Future firefighting – reserve appliances	£0.027m
CCTV on appliances	£0.150m
Fleet Workshop	£3.375m
Morecambe NWAS co-location	£0.132m
Enhanced station dormitory and shower facilities	£0.350m
Drill tower replacements	£0.200m
Performance management system	£0.100m
Hydrant management system	£0.050m
Incident command system (linked to command units)	£0.100m
VMDS/MDT hardware replacement (linked to ESMCP)	£0.400m
Incident ground radios (linked to ESMCP)	£0.180m
On-Call alerters (linked to ESMCP)	£0.065m
ESMCP (Airwave replacement)	£1.000m
Total	£9.199m

This adjustment brought the remaining capital programme to £2.0m, however it was proposed to increase the STC Workshop budget by £34k (which would be transferred from where it currently sat in the Fleet Services revenue budget) for the breathing apparatus compressor replacement, to enable this to be done as part of the project due to its size and integration into the fabric of the building. The revised total budget remained at £2.0m (rounded to £m).

There remained very little spend against the resultant 2020/21 programme, just £1.1m, against vehicles and property projects, as departments had been dealing with the impacts of the ongoing pandemic. The current position against the programme was set out below, with further details in Appendix 2: -

Pumping Appliances	The amended budget allowed for the remaining stage payments for 7 pumping appliances for the 2018/19 programme, which had all now been delivered, in line with the budget, no further spend

	was expected.
Other vehicles	The amended budget allowed for the replacement of support vehicles which were reviewed prior to replacement, with limited further spend anticipated prior to the year end. Delivery had been taken of all vehicles ordered in the year and the spend was broadly in line with the budget.
Building Modifications	This budget allowed for: • Provision of a new workshop, BA Recovery and Trainer facility at STC. Work was ongoing on site, as the committed expenditure to date reflected, and the anticipated year end spend was circa £1.1m, however the majority of the budget would be spent in the next financial year and was removed from the 2020/21 budget; • South Shore refurbishment and extension was underway as the committed expenditure to date reflected, and was expected to be largely complete by the end of March.

The committed costs to date would be met by revenue contributions, with the excess of contributions in year being put into the capital funding reserve.

Delivery against savings targets

The current position on savings targets identified during the budget setting process, hence removed from the 2020/21 budget and performance to date against this target was reported. The performance to date was significantly ahead of target, largely due to savings in respect of staffing, smoke detectors and Procurement savings. The savings target for the financial year had already been exceeded.

County Councillor O'Toole queried why the revenue budget underspend at the end of January was shown as £0.6m and the equivalent value of virements and transfers (as reported in the first 2 paragraphs of the report) resulted in an underspend of £0.4m. In response the Director of Corporate Services confirmed that these figures were not comparable; given the timing of the underspends continued throughout the year and that some of the adjustment transfers had already been made.

In response to a question raised by County Councillor O'Toole regarding the Non DFM budget which reflected a £0.4m funding gap at the time of setting the budget, the Director of Corporate Services confirmed that the funding gap referred to in the report was the one identified in February 2020 when the budget was set for 2021. At that time there were a lot of assumptions made and it would have been difficult to predict for example, the number of early leavers and the impact of the pandemic. This financial monitoring report identified where variances occurred and explained why there were differences to the assumptions made.

In relation to the Covid-19 expenditure on home working equipment, Councillor Williams asked whether there was a contingency plan for the equipment once the pandemic was over. In response, the Director of Corporate Services advised that the cost related to a mix of equipment for the use of staff working remotely and also for the equipment needed to facilitate the Authority's meetings. Consideration was being given to the benefits of remote working for those able to do so and the equipment would be used to facilitate this going forwards.

In response to a further question from Councillor Williams regarding budgeting for the costs of technological changes and the maintenance and upgrading of equipment the Director of Corporate Services advised that budgets were agreed with Departmental Heads and given the age of the equipment this would perhaps be in 18 months' time. Changes would more likely be the use of the infrastructure and its effectiveness for example, consideration was currently being given to the resilience of YouTube to live stream these meetings. He felt it was important in the long term to ensure there was sufficient budget to keep pace with the changes.

In response to a question raised by County Councillor Wilkins regarding whether checks were being made on the expiry dates of PPE the Director of Corporate Services confirmed that the lifespan depended on what the PPE was for and the Service made sure it was fit for purpose, met the safety standard and was within its life. He did not suspect there would be a need to replace a lot of PPE within the next 12 months which was under ongoing review. He confirmed the main focus for spend in the next 12 months was likely to be staff costs for supporting the vaccination programme.

County Councillor Wilkins queried the use of CCTV on vehicles and whether there had been any discussions with the Fire Brigades Union (FBU) regarding how it protected firefighters and equipment. In response, the Director of People and Development advised that there had been discussions with the FBU over many years. He confirmed they were aware of the cameras and how this assisted staff if they were subject to assault or if they were involved in an accident or incident as the camera assisted in apportioning blame. FBU concern originally was CCTV being used for disciplinary and although this could not be discounted it had proven not to be the case. The CCTV also assisted with ongoing driver training.

RESOLVED: - That the Committee noted and endorsed the financial position, and approved the following virements:

- to transfer £0.5m unspent budgets across several departments into earmarked reserves for spend in the next financial year; and
- to transfer £0.1m into the Covid fund in relation to underspends on fuel and other vehicle running costs as reported.

110/19 DATE AND TIME OF NEXT MEETING

The next meeting of the Committee would be held on Wednesday, 7 July 2021 at 1000 hours in – venue to be agreed.

Further meeting dates were noted for 29 September 2021 and 1 December 2021 and agreed for 30 March 2022.

111/19 EXCLUSION OF PRESS AND PUBLIC

RESOLVED: - That the press and members of the public be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act 1972, indicated under the heading to the item.

112/19 PENSIONS UPDATE

(Paragraphs 3 and 4)

The Director of People and Development updated Members on the current position in respect of fire service pension schemes.

RESOLVED: - That the Committee noted the recommendation as outlined in the report.

113/19 SICKNESS UPDATE

(Paragraphs 1, 2 and 3)

Members considered additional information in relation sick pay arrangements agreed at the last meeting.

RESOLVED: - That the Committee determined to reaffirm the decision made at the last meeting to retain the current guidance as outlined in the report.

114/19 HIGH VALUE PROCUREMENT PROJECTS

(Paragraph 3)

Members considered a report that provided an update on all contracts for one-off purchases valued in excess of £100,000 and high value procurement projects in excess of £100,000 including: new contract awards, progress of ongoing projects and details of new projects.

RESOLVED: That the Committee noted the report.

M NOLAN
Clerk to CFA

LFRS HQ
Fulwood

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LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE
Meeting to be held on 7 July 2021

MATERNITY POLICY PROVISIONS

Contact for further information:
Bob Warren – Director of People and Development – Tel No. 01772 866804

Executive Summary

The purpose of this paper is to update Members of the Resources Committee on proposed changes to the Service's Maternity Policy following a review of the arrangements as part of our Equality, Diversity and Inclusion (EDI) considerations.

Recommendation

The Resources Committee is asked to endorse this report to allow formal introduction following consultation from August 2021.

Information

The Maternity and Childcare policy sets out the entitlements and benefits for pregnant employees, adoptive parents and fathers. The aim of the policy is to set out a consistent and supportive approach across the Service and to increase awareness about the provisions available for employees and to ensure the protection of the health and well-being of the mother and their child/unborn child and compliance with legislative requirements.

It sets out the contractual and statutory maternity rights to which all pregnant employees are entitled both before and after the birth of a child. The policy dovetails with the Service's Flexible Working policy.

The Service wants to be an employer of choice and wants the role of a firefighter to be appealing as a role of preference to a diversity of applicants. With this in mind, we have been reviewing our policies and have then been consulting with staff and our Trade Union colleagues in relation to improving our maternity and paternity provision. We are proposing to increase our maternity pay provisions available to women on maternity leave to 26 weeks full pay which will essentially mean that in future, women commencing their maternity leave will receive full pay for the first 6 months of their maternity leave period. The Service's adoption leave arrangements have always mirrored our maternity arrangements and this is continued. This supports the Service's diversity objectives in terms of supporting those employees who wish to become adoptive parents. Those accessing paternity pay will be entitled to 2 weeks full pay following the birth of the baby.

Subject to CFA approval, the new policy will be subject to final consultation with staff and will be supported by a comprehensive update on the Service's flexible working policy which is also being updated in light of our new hybrid working arrangements going forward.

It is proposed to make the changes with effect from any utilisation of these provisions form August.

Financial Implications

The additional direct costs of these proposals will be subsumed into the paybill budgets, whilst the avoidance of any recruitment costs and retention of staff will be an unidentified benefit.

Human Resources Implications

The updating of our paternity and maternity arrangements will have an impact on our general attractiveness as an employer and for those directly affected an enhancement to their terms and conditions.

The discussions held with focus groups and trade unions have been positively received.

The revised policy will apply to our whole workforce.

Equality and Diversity Implications

The amendments to the policy have been driven by the EDI position and are seen to be equitable proposals.

The guidance, and the policies it relates to, are applicable to all eligible employees regardless of age, disability, ethnicity, race, religion or belief, sex, gender identity or gender expression, sexual orientation, marriage or civil partnership, pregnancy or maternity status or any other characteristic.

Business Risk Implications

The proposals update the Service general provisions within society.

Environmental Impact

None

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact
Reason for inclusion in Part 2, if appropriate:		

LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE
Meeting to be held on 7 July 2021

YEAR END TREASURY MANAGEMENT OUTTURN 2020/21

Contact for further information:
Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

The report sets out the Authority's borrowing and lending activities during 2020/21. All borrowing and investment activities undertaken throughout the year are in accordance with the Treasury Management Strategy 2020/21.

Recommendation

The Committee is asked to note and endorse the outturn position report.

Information

In accordance with the CIPFA Treasury Management code of practice and to strengthen members' oversight of the Authority's treasury management activities, the Resources Committee receives regular updates on treasury management issues including a mid-year report and a final outturn report. Reports on treasury activity are discussed on a quarterly basis with Lancashire County Council Treasury Management Team and the Director of Corporate Services and the content of these reports is used as a basis for this report to the Committee.

Investment and borrowing decisions are taken in the light of long-term borrowing requirements, the estimated level of reserves and actual and estimated cash-flow. Consideration is also given to various risks and ensuring compliance with the Prudential Indicators. Decisions are taken in the light of current and forecasted economic decisions. Therefore, this report provides information on:

- An economic overview;
- Borrowing position;
- Investment activity;
- Comparison to the Prudential Indicators.

Economic Overview

The coronavirus pandemic dominated 2020/21, The start of the financial year saw lockdowns which caused economic activity to grind to a halt in many countries including the UK. The Bank of England cut Bank Rate from 0.75% to 0.10% in March 2020 and it remained at this level throughout the 2020/21 financial year. The UK government also provided a range of fiscal stimulus measures, the size of which has not been seen in peacetime. The GDP figures for the financial year are:

	GDP year on year change
2020 Q2	-21.4%
2020 Q3	-8.5%
2020 Q4	-7.3%
2021 Q1	-6.1%

In its March 2021 interest rate announcement, the Bank of England noted that while GDP would remain low in the near-term due to COVID-19 lockdown restrictions, the easing of these measures means growth is expected to recover strongly later in the year.

The UK government's response included the furlough scheme which has protected many jobs. Despite this unemployment still rose. Labour market data showed that in the three months to January 2021 the unemployment rate was 5.0%, in contrast to 3.9% recorded for the same period 12 months ago.

The year also saw an agreement on a Brexit trade deal.

Inflation has remained low over the 12 month period. Latest figures showed the annual headline rate of UK Consumer Price Inflation (CPI) fell to 0.4% year/year in February, below expectations (0.8%) and still well below the Bank of England’s 2% target.

A similar economic picture has occurred in various economies. The US saw growth collapsing at an annualised rate of 31.4% in Q2 before rebounding by 33.4% in Q3 and then a further 4.1% in Q4. The US recovery has been fuelled by three major pandemic relief stimulus packages totalling over $5 trillion. The Federal Reserve cut its main interest rate to between 0.00% and 0.25% in March 2020 in response to the pandemic and it has remained at the same level since. In Europe the European Central Bank maintained its base rate at 0.0% and deposit rate at -0.5%.

The gilt yields which are a key determinant of borrowing costs for local authorities fluctuated in line with the economic conditions. For example, the 5-year UK benchmark gilt yield began the financial year at 0.18% before declining to -0.03% at the end of 2020 and then rising strongly to 0.39% by the end of the financial year. Over the same period the 10-year gilt yield fell from 0.31% to 0.19% before rising to 0.84% and the 20-year declined slightly from 0.70% to 0.68% before increasing to 1.36%.

Borrowing

The borrowing of the Fire Authority has remained unchanged at £2m in 2020/21. The current capital programme has no requirement to be financed from borrowing until 2025/26, and the debt relates to earlier years' capital programmes. While the borrowing is above its Capital Financing Requirement (CFR), which is the underlying need to borrow for capital purposes, this is because the Fire Authority has had a policy of setting aside monies in the form of statutory and voluntary minimum revenue provision (MRP) in order to repay debt as it matures or to make an early repayment. Consideration has been given to repaying the £2m but the penalties incurred on repaying the loans early would incur significant costs currently estimated at £0.967m. Also, any early repayment means that cash balances available for investment will be reduced and hence interest receivable will also be reduced. It was estimated that if interest rate on investments are at 1.4% over the remaining period of the loan then repaying the loans during 2020/21 would be broadly neutral. It was concluded that the repayment was not considered to be financially beneficial at the time. However, the situation is periodically reviewed by the Director of Corporate Services.

The loans outstanding are all with the Public Loans Works Board (PWLB). They were initially taken out in 2007 when the base rate was 5.75%. The maturity and interest rate of the Authority's borrowing is:

Loan amount	Maturity	Interest rate
£650k	December 2035	4.49%
£650k	June 2036	4.49%
£700k	June 2037	4.48%

Total interest paid on PWLB borrowing was £90k, which equates to an average interest rate of 4.49%.

Investments

Both the CIPFA Code and the MHCLG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. Throughout the year when investing money, the key aim was to strike an appropriate balance between risk and return.

In order to reduce credit risk to the Authority, Lancashire County Council (credit rating by Moodys Aa3) is the main counterparty for the Authority's investments via the operation of a call account. However, the Treasury Management Strategy does permit investment with other high-quality counterparties including other local authorities. During the year the total cash held by the Authority has been positive with the highest balance being £52.1m and the lowest £34.0m. For the monies invested with Lancashire County Council the range was £34.2m to £14.0m. Therefore, given that the expectation was that interest rates would remain low the opportunity was taken to undertake some fixed term investments with other local authorities rather than keeping all the monies in the call account. This aimed to enhance the investment return while keeping the credit risk low. At the year-end fixed investments of £15m were in place. However, during the year one fixed term investments had matured. The table below shows the interest earned on fixed term investments in 2020/21:

Start Date	End Date	Principal	Rate	Interest in 2020/21
18/10/2018	19/10/2020	£5,000,000	1.15%	£31,822
10/12/2019	10/06/2021	£5,000,000	1.20%	£60,000
20/04/2020	20/04/2022	£5,000,000	1.45%	£68,726
24/04/2020	25/04/2022	£5,000,000	1.45%	£67,932

Investing in these fixed term deposits, rather than leaving the money in the call account, has increased the interest received in 2020/21 although having fixed term deals does reduce the liquidity of the investments.

The call account provided by Lancashire County Council paid the base rate throughout 2020/21. Each working day the balance on the Authority's current account is invested in this to ensure that the interest received on surplus balances is maximised. The average balance in this account during the year was £24.7m earning interest of £0.025m.

The overall interest earned during this period was £0.253m at a rate of 0.60% which compares favourably with the benchmark 7-day index (Sterling Overnight rate 7-day rate) which averages 0.17% over the same period.

All of these investments are made in accordance with the current Treasury Management Strategy and the CIPFA treasury management code of practice.

Cash flow and interest rates continue to be monitored by the Director of Corporate Services and the County Council's treasury management team, and when rates are felt to be at appropriate levels further term deposits will be placed.

Prudential Indicators

In order to control and monitor the Authority's treasury management functions, a number of prudential indicators are determined against which performance may be measured. The revised indicators for 2020/21 are shown in the table below alongside the actual outturn position.

	Revised	Actual
Adoption of the CIPFA Code of Practice for Treasury Management	Adopted	Adopted
Authorised limit for external debt	£000	£000
A prudent estimate of total external debt, which does not reflect the worst case scenario, but allows sufficient headroom for unusual cash movements		
Borrowing	6,000	2,000
Other long-term liabilities – these relate to vehicle finance leases and the PFI agreements	30,000	13.376
Total	36,000	15.376
Operational boundary for external debt		
A prudent estimate of debt, but no provision for unusual cash movements. It represents the estimated maximum external debt arising as a consequence of the Authority's current plans		
Borrowing	3,000	2,000
Other long-term liabilities – these relate to vehicle finance leases and the PFI agreements	17,000	13.376
Total	20,000	15.376
Upper limit for fixed interest rate exposure		
Borrowing	100%	100%
Investments	100%	40%

	Revised	Actual
Upper limit for variable rate exposure		
Borrowing	25%	0%
Investments	100%	60%
Upper limit for total principal sums invested for over 365 days (per maturity date)	25.000	15.000
Maturity structure of debt	Upper/ Lower Limits	Actual
Under 12 months	100%/nil	-
12 months and within 24 months	50%/nil	-
24 months and within 5 years	50%/nil	-
5 years and within 10 years	50%/nil	-
10 years and above	100%/nil	100%

Financial Implications

The following table summarises the Financing costs for the Authority, comparing actual with budget:-

	Revised Budget £m	Actual £m	Reason for variance
Interest Payable on PWLB loans	0.090	0.090	
Interest Receivable on call account and fixed term investments	(0.354)	(0.253)	Largely due to the reduction in interest rate offered for the call account investment due to the base rate change
Minimum Revenue Provision re PWLB loans	0.010	0.010	
Net financing income from Treasury Management activities*	(0.254)	(0.153)	

* There are financing costs associated with vehicle finance leases and the PFI agreements, which are not included in the balances above as they are not the result of Treasury Management activities.

Human Resource Implications

None

Equality and Diversity Implications

None

Business Risk Implications

The Treasury Management Strategy is designed to maximise interest earned, minimise interest paid whilst maintaining an acceptable level of risk. The reviews of performance provide members with an assurance that this has been complied with.

Environmental Impact

None

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact
Treasury Management Strategy 2020/21	February 2020	Keith Mattinson, Director of Corporate Services
Treasury Management Guidance	February 2017	Keith Mattinson, Director of Corporate Services
Reason for inclusion in Part II, if appropriate:		

LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE
Meeting to be held on 7 July 2021

YEAR END CAPITAL OUTTURN 2020/21
(Appendices 1 and 2 refer)

Contact for further information:
Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

This report presents:

- the year-end position for the Authority's capital programme, and how this has been financed;
- the impact of slippage from the 2020/21 capital programme into the 2021/22 programme.

Recommendation

The Committee is asked to:-

- note the capital outturn position, the financing of capital expenditure 2020/21 and the prudential indicators; and
- approve the revised 2021/22 capital programme, the financing of this and the prudential indicators.

Information

Members will recall that at the March meeting, the revised capital budget was approved at £2.0m following a re-assessment of potential slippage from the approved 2020/21 programme into the next financial year, reflecting forecast timing of spend. Since then, two areas of work progressed further in 2020/21 than originally expected:

- The STC workshop building works progress was valued on 31 March at £1.7m, £0.6m more than the earlier forecast had predicted – therefore we have moved £0.6m budget back from 2021/22 into 2020/21. The overall contract sum remains the same, it is purely a timing issue, but this does demonstrate the difficulties in accurately forecasting the phasing of large capital projects which span financial years;
- We also received £15k of reserve appliance equipment in March which had been anticipated in April 2021.

As a result of these we have reversed £0.6m of the slippage, increasing the 2020/21 capital programme with a corresponding reduction in the 2021/22 programme. This change leaves the final capital programme for 2020/21 at £2.665m.

Total capital expenditure for the year was £2.654m, reflecting £21k of slippage and an overspend of £10k, as set out in the table over the page, and in appendix 1.

Area of Spend	20/21 Budget	Actual Expend -iture	Slipp-age	(Under) / Over spend	Explanation
	£m	£m	£m	£m	
Pumping Appliances	0.338	0.336	-	(0.002)	The budget allowed for the remaining stage payments for 7 pumping appliances from the 2018/19 programme. Technical design issues between the crew cab and chassis had significantly delayed the build of these vehicles as previously reported to Resources, however these have all been delivered.
Other Vehicles	0.271	0.276	(0.001)	0.006	This budget allowed for the replacement of various support vehicles, which have largely been completed in line with budget.
Operational Equipment	0.015	0.015	-	-	This budget allowed for completion of the kitting out of three reserve pumping appliances, which is almost completed.
Buildings	2.041	2.028	(0.020)	0.006	This budget allowed for: • Provision of a new workshop, BA Recovery and Trainer facility at STC. Work is ongoing on site, and the year end spend was £1.7m, with the remainder of the project being completed within the approved overall budget in the next financial year. Completion is expected during October 2021; • South Shore refurbishment and extension had a year end spend of £0.3m, with the small amount of slippage reflecting work completed in the new financial year. This project is now complete.
ICT Systems	-	-	-	-	The ICT projects originally budgeted were carried forwards in February 2021 into the 2021/22 due to delays associated with the pandemic.
Grand Total	**2.665**	**2.654**	**(0.021)**	**0.010**	

The programme has been financed in year, from a combination of revenue contributions (£2.491m) and the drawdown of capital reserves (£0.163m), as shown in Appendix 1.

Prudential Indicators 2020/21

Under the prudential framework the Authority is required to identify various indicators to determine whether the capital programme is affordable, prudent and sustainable.

The revised indicators, after allowing for the various changes to the capital programme, are shown in the following table, alongside the actual outturn figures, and these show that performance has been within approved limits.

	Revised	**Actual**
Net financing costs (Income)	(£0.222m)	(£0.153m)
Ratio of Financing Costs to Net Revenue Stream (this expresses net financing charges as a % of total net revenue spending)	(0.39%)	(0.27%)

	Revised £m	**Actual £m**
Capital Expenditure (this is simply a measure of spend)	2.665	2.654
Capital Financing (how the spending was funded):		
Grants and contributions	-	-
Own resources	2.665	2.654
Debt	-	-
Total	2.665	2.654
Capital Financing Requirement (this measures the authority's underlying need to borrow to fund its capital programmes)	0.005	nil

The Impact of Slippage from the 2020/21 Capital Programme into the 2021/22 Programme

The original approved capital programme for 2021/22 was £11.3m. As reported above, this has been updated as follows:

	£m
Approved capital budget 2021/22	11.299
Spent in 2020/21 – transfer budget back into 2020/21 – STC workshop	(0.634)
Spent in 2020/21 – transfer budget back into 2020/21 – reserve appliances	(0.015)
Additional slippage from 2020/21 into 2021/22 – South Shore refurbishment and extension	0.021
Remove budget for Morecambe NWAS co-location	(0.150)
Revised capital budget 2021/22	10.521

In addition to the timing adjustments reported earlier, we have removed the budget for North West Ambulance Service (NWAS) co-location works at Morecambe Fire station, following the mutual decision by NWAS and LFRS not to proceed with the project.

As a result, the final proposed capital programme for 2021/22 is £10.5m, which is funded from capital grant, revenue contributions, and capital reserves. The revised programme and its funding are set out in appendix 2. It is clear that due to the Covid-19 pandemic more slippage will occur during 2021/22 and we are reviewing the potential effect of this. We provide an updated position to members at the next meeting.

The following table sets out the revised prudential indicators for 2021/22-2023/24, showing that the revised programme remains affordable, prudent and sustainable, as follows: -

	2021/22 Estimate	**2022/23 Estimate**	**2023/24 Estimate**
Net financing costs (Income)	(£0.075m)	£0.025m	£0.040m
Ratio of Financing Costs to Net Revenue Stream. (the figures show that there is revenue income rather than costs.)	(0.13%)	0.30%	0.07%

	2021/22 Estimate £m	**2022/23 Estimate £m**	**2023/24 Estimate £m**
Capital Expenditure	10.521	3.196	9.647
Capital Financing (how the spending will be funded):			
Grants and contributions	1.000	-	-
Own resources	9.521	3.196	9.647
Debt	-	-	-
Total	10.521	3.196	9.647
Capital Financing Requirement	-	-	-

Capital Reserves

Over the next five years the position in terms of capital reserves, available to fund future capital programmes will be as follows: -

	Capital Reserves	**Capital Receipts**	**Capital Grant**	**Total**
	£m	£m	£m	£m
Balance 31/3/20	17.5	1.7	0.0	19.2
Additions/utilisation in year	0.4	0.0	0.0	0.4
Balance 31/3/21	17.9	1.7	0.0	19.6
Additions/utilisation in year	(7.3)	0.0	0.0	(7.3)
Balance 31/3/22	10.7	1.7	0.0	12.4
Additions/utilisation in year	(1.3)	0.0	0.0	(1.3)
Balance 31/3/23	9.4	1.7	0.0	11.1
Additions/utilisation in year	(7.4)	0.0	0.0	(7.4)
Balance 31/3/24	2.0	1.7	0.0	3.7
Additions/utilisation in year	(1.8)	(1.7)	0.0	(3.5)
Balance 31/3/25	0.2	0.0	0.0	0.2
Additions/utilisation in year	(0.2)	0.0	0.0	(0.2)
Balance 31/3/26	0.0	0.0	0.0	0.0

As can be seen the capital programme over the next five financial years utilises all of the capital reserves and capital receipts.

Financial Implications

As outlined in the report.

Business Risk Implications

The outturn report sets out how the Authority has performed financially in the year, and as such is a key means of stakeholders monitoring the Authority and assessing how it is performing.

Environmental Impact

The environmental impact of decisions relating to the capital programme will be considered as part of the project planning process, and where possible we will look to minimise the environmental impact of this where it is considered practical and cost effective to do so.

Equality and Diversity Implications

The capital programme in respect of replacement/refurbishment of existing property will include some element of adaptations to ensure compliance with the Equality & Disability legislation.

Human Resource Implications

None

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	*Date*	Contact
None		
Reason for inclusion in Part II, if appropriate:		

APPENDIX 1

CAPITAL BUDGET 2020/21

CAPITAL BUDGET 2020/21	Revised Prog	Outturn report	Final Programme	Year End Outturn	Slippage	Est final Cost	Over/ (Under) Spend
Vehicles							
Pumping Appliance	0.338	-	0.338	0.336	-	0.336	(0.002)
Other Vehicles	0.271	-	0.271	0.276	(0.001)	0.277	0.006
	0.609	-	0.609	0.612	(0.001)	0.612	0.004
Operational Equipment							
Operational Equipment	-	0.015	0.015	0.015	-	0.015	(0.000)
	-	0.015	0.015	0.015	-	0.015	(0.000)
Buildings Modifications							
STC Workshop	1.134	0.600	1.734	1.740	-	1.740	0.006
NWAS Co-location - Morecamb	-	-	-	-	-	-	-
Enhanced station facilities	0.307	-	0.307	0.287	(0.020)	0.307	-
Drill tower replacements	-	-	-	-	-	-	-
	1.441	0.600	2.041	2.028	(0.020)	2.047	0.006
ICT							
IT Systems	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Total Capital Requirement	**2.050**	**0.615**	**2.665**	**2.654**	**(0.021)**	**2.674**	**0.010**
Funding							
Capital Grant	-	-	-	-	-	-	-
Revenue Contributions	2.491	-	2.491	2.491	-	2.491	-
Earmarked Reserves	-	-	-	-	-	-	-
Capital Reserves	(0.441)	0.615	0.174	0.163	(0.021)	0.183	0.010
Total Capital Funding	**2.050**	**0.615**	**2.665**	**2.654**	**(0.021)**	**2.674**	**0.010**

APPENDIX 2

CAPITAL BUDGET 2021/22

CAPITAL BUDGET 2021/22	Original Programme	Yr end Slippage	Amend slippage	Revised Programme
Vehicles				
Pumping Appliance	1.490	-	-	1.490
Other Vehicles	3.035	0.001	-	3.036
	4.525	0.001	-	4.526
Operational Equipment				
Operational Equipment	0.444	(0.015)	-	0.429
	0.444	(0.015)	-	0.429
Buildings Modifications				
STC Workshop	3.375	(0.634)	-	2.741
NWAS Co-location - Morecambe	0.150	-	(0.150)	-
Enhanced station facilities	0.350	0.020	-	0.370
Drill tower replacements	0.300	-	-	0.300
SHQ Relocation	0.150	-	-	0.150
	4.325	(0.614)	(0.150)	3.561
ICT				
IT Systems	1.945	-	-	2.005
	1.945	-	-	2.005
Total Capital Requirement	**11.239**	**(0.628)**	**(0.150)**	**10.521**
Funding				
Capital Grant	1.000	-	-	1.000
Revenue Contributions	2.250	-	-	2.250
Earmarked Reserves	-	-	-	-
Capital Reserves	8.049	(0.628)	(0.150)	7.271
Total Capital Funding	**11.299**	**(0.628)**	**(0.150)**	**10.521**

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LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE
Meeting to be held on 7 July 2021

YEAR END REVENUE OUTTURN 2020/21
(Appendix 1 refers)

Contact for further information:
Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

This report presents the revenue outturn position, and the impact of this on usable reserves.

The overall outturn position shows an underspend of £363k.

Recommendation

The Committee is asked to note and endorse the outturn position on the 2020/21 revenue budget, and the associated transfer of £15k to the DFM earmarked reserve and a contribution of £348k to the capital funding reserve.

The Revenue Outturn Position

The annual budget for the year was set at £57.339m. The final outturn position shows net expenditure of £56.976m, giving a total underspend for the financial year of £0.363m. Which is broadly in line with previous forecasts.

As set out in the Year End Usable Reserves and Provisions Outturn report (reported elsewhere on the agenda) it is proposed that: -

- £15k is transferred to the DFM earmarked reserve;
- given the Authority's current general fund balance stands at £6.0m and the scale of our capital programme, the remaining balance of £348k is transferred into the capital funding reserve, reducing future borrowing requirement.

The detailed final revenue position is set out in Appendix 1, with major variances being summarised below (note as reported throughout the year the variances shown relate to non-pay spend, with the variance on the pay budget being shown separately): -

Area	Over/ (Under) Spend	Reason
	£'000	
Service Delivery	(134)	As previously reported the underspend relates to the reduced activity levels, in particular for car allowances/mileage due to remote working during

		the pandemic, however the position allows for the proposed transfer of the following into earmarked reserves, for use in the next financial year: • £104k for unspent smoke detector purchases; • £34k for spend on an USAR training prop, delayed by the pandemic.
Protection Transformation	-	The Protection Transformation department was created as a result of the Authority being able to access £310k in grant from the Home Office to support our protection work in the wake of the Grenfell tragedy. We have transferred £181k of this into an earmarked reserve, reflecting the late allocation of funding and the difficulty in spending this in-year. We anticipate utilising all of this carry forward, and the 2021/22 grant in the new financial year.
Covid-19	-	We received total funding of £1.6m, and have spent £1.3m to date, with the balance being held in an earmarked reserve. The spend to date is as follows: • Additional staff costs £0.3m; • Cleaning and decontamination supplies £0.2m; • Remote working equipment £0.2m; • PPE £0.6k. It is expected that any further costs associated with the ongoing pandemic will be met from this fund. As reported above, we will transfer £0.1m of underspends in relation to savings against the Fleet & Technical Services budget in relation to the reduced use of vehicles during the pandemic.
Youth Engagement	(20)	This budget includes both the Prince's Trust activities and the Fire Cadets units. Prince's Trust achieved a small surplus of £50k which was transferred into earmarked reserves to meet future running costs. Fire cadet units have been running remotely since last March, and the underspend shown of £20k reflects savings within that budget.
Training & operational review	(143)	The final year end underspend is slightly higher than anticipated reflecting due to the timing of courses and reflects the transfer of £92k into earmarked reserves, in relation to training courses and training prop maintenance both of which were delayed due to the pandemic.
Fleet & Technical Services	(71)	The final underspend is slightly lower than previously forecast but still relates to vehicle repairs and maintenance, where the anticipated (and budgeted) increases in the hourly rates charged by LCES have been mitigated thus far by careful management and scrutiny of repairs

		passed to LCES, with use of alternative contractors where cost effective to do so. In addition, we benefitted from free fuel offered by BP to emergency services during the year, and there has also been a general reduction in spend on fuel and tyres. The position allows for the transfer of £50k into earmarked reserves in relation to unspent equipment R&D budget, and the transfer of £0.1m into the Covid fund as referred to earlier.
Property	7	All non-essential maintenance was put on hold in quarter one, and was gradually re-instated over the course of the year. However, this meant that maintenance requirements were pushed back into the following year and hence the position reflects the transfer of £189k into earmarked reserves in relation to backlog planned maintenance.
Non DFM	792	As previously reported this reflects the £440k funding gap identified at the time of setting the budget in February 2020, and the additional £341k RCCO approved during the year.
Wholetime Pay (including associate trainers)	(804)	As previously reported the underspend is attributable to reduced staffing costs, with early retirements and resignations resulting in average of 18 vacant wholetime posts throughout the course of the year.
On-Call Pay	180	The overspend is in line with previous forecasts, reflecting higher levels of activity payments
Support staff (less agency staff)	(10)	The underspend relates to vacant posts across various departments, which are in excess of the vacancy factor built into the budget. The underspend position arises due to the initial cessation of recruitment activity due to the pandemic. Note agency staff costs to date of £23k are replacing vacant support staff roles, this accounts for less than 0.5% of total support staff costs.

Delivery against savings targets

The following table sets out the target level of efficiencies required in 2020/21 and performance against this target: -

	Annual Target	Savings at end of Mar
	£m	£m
Staffing, including post reductions plus management of vacancies	0.054	0.711
Draw down apprenticeship levy	0.215	0.152
Reduction in general reserve & unidentified savings target budgets	0.240	0.240
Reduction in Property utilities/rates budgets	0.085	0.019
Reduction in smoke detector purchase budgets	0.033	0.033
Procurement savings (these are savings on contract renewals, such as energy and laundry of fire kit contracts)	0.020	0.098
Balance – cash limiting previously underspent non pay budgets	0.093	0.093
Total	0.740	1.346

The performance exceeded the target for the year, largely due to savings in respect of staffing costs and procurement savings.

Financial Implications

As outlined in the report

Business Risk Implications

The outturn report enables stakeholders to monitor how the Authority has performed financially in the year

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	*Date*	Contact
Reason for inclusion in Part II, if appropriate:		

BUDGET MONITORING STATEMENT MAR 2021	Total Budget	Actual Spend to Mar 2021	Variance O/Spend (U/Spend)	Variance Pay	Variance Non-Pay
	£000	£000	£000	£000	£000
Service Delivery					
Service Delivery	35,142	34,669	(473)	(339)	(134)
Protection Transformation	-	-	-	-	-
Covid-19	-	-	-	-	-
Control	1,214	1,214	-	-	-
Youth Engagement (inc PTV)	22	2	(20)	-	(20)
Special Projects	13	20	7	-	7
Strategy & Planning					
Service Development	4,297	4,006	(290)	(273)	(18)
Training & Operational Review	3,782	3,658	(124)	19	(143)
Fleet & Technical Services	2,775	2,703	(72)	(1)	(71)
Information Technology	2,626	2,588	(38)	(9)	(28)
Digital Transformation	307	266	(42)	(42)	-
People & Development					
Human Resources	651	670	19	15	4
Occupational Health Unit	241	225	(15)	10	(25)
Corporate Communications	320	292	(27)	(21)	(7)
Safety Health & Environment	234	235	1	9	(8)
Corporate Services					
Executive Board	1,058	997	(61)	(29)	(31)
Central Admin Office	807	704	(103)	(91)	(12)
Finance	142	155	13	10	3
Procurement	927	983	56	46	10
Property	1,831	1,828	(4)	(11)	7
External Funding	-	(8)	(8)	-	(8)
Pay					
TOTAL DFM EXPENDITURE	**56,389**	**55,208**	**(1,181)**	**(707)**	**(474)**
Non DFM Expenditure					
Pensions Expenditure	1,309	1,285	(24)	-	(24)
Other Non-DFM Expenditure	(359)	483	842	50	792
NON-DFM EXPENDITURE	**950**	**1,768**	**818**	**50**	**768**
TOTAL BUDGET	**57,339**	**56,976**	**(363)**	**(656)**	**293**

LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE
Meeting to be held on 7 July 2021

YEAR END USABLE RESERVES AND PROVISIONS OUTTURN 2020/21
(Appendix 1 refers)

Contact for further information:
Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

This report presents the year end outturn position in respect of usable reserves and provisions. It is based on the information reported in the Revenue Outturn, Capital Outturn and Treasury Management Outturn reports.

Recommendation

The Committee is asked to:-

- note the additional £2,995k of earmarked reserves and the £44k reduction in provisions, contributing to the overall revenue outturn position;
- agree the year end transfers associated with the revenue outturn, £348k to the capital funding reserve and £15k to earmarked reserves;
- note the transfer of £200k from earmarked reserves into capital reserves;
- agree the year end capital outturn drawdown from capital reserves of £163k;
- note £17k of capital receipts;
- note and endorse the overall level of reserves and provisions as set out in the report.

Information

The Authority approves its reserves and balances policy as part of its budget setting process, in February, with the year-end outturn position being reported to Resources committee and included in the statement of accounts.

The previously reported Revenue Outturn, Capital Outturn and Treasury Management Outturn all feed the Authority's overall reserves position, which is summarised over the page: -

	General Reserve	Earmarked Reserves	Capital Reserves	NWFC Reserves	Total Usable Reserves	Provis ions*	Total
	£m	£m	£m	£m	£m	£m	£m
Balances at 31/3/20	6.044	7.827	19.246	0.744	33.861	1.580	35.441
Revenue Adjustments							
• Utilised/Provided for In-Year	-	2.995	-	-	2.995	(0.044)	2.951
• Revenue Outturn	-	0.015	0.348	-	0.363	-	0.363
• Specific transfers to/(from) Earmarked Reserves	-	(0.200)	0.200	-	-	-	-
	-	2.810	0.548	-	3.358	(0.044)	3.314
NWFC reserves movement	-	-	-	(0.228)	(0.228)	-	(0.228)
Capital Adjustments							
• Capital Outturn	-	-	(0.163)	-	(0.163)	-	(0.163)
• Capital Receipts	-	-	0.017	-	0.017	-	0.017
	-	-	(0.146)	(0.228)	(0.374)	-	(0.374)
Balances at 31/3/21	6.044	10.637	19.648	0.521	36.848	1.536	38.384

* The collection fund accounting has not been completed – therefore the Authority's share of the business rates appeals provision has not been updated.

General Reserve

These are non-specific reserves which are kept to meet short/medium term unforeseeable expenditure and to enable significant changes in resources or expenditure to be properly managed in the medium term.

The Authority needs to hold an adequate level of general reserves in order to provide:-

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
- A contingency to cushion the impact of unexpected events;
- A means of smoothing out large fluctuations in spending requirements and/or funding available.

As a precepting Authority any surpluses or deficits are transferred into/out of reserves in order to meet future potential commitments. Given the Authority's current general fund balance stands at £6.0m and the scale of our capital programme it is proposed that the revenue underspend, £348k, is transferred into the capital funding reserve, reducing future borrowing requirement. Hence the year-end General fund balance will remain at £6.0m.compared with a target range agreed by the Authority at its February meeting of £3.5m to £10.0m.

Earmarked Reserves

The reserve covers all funds, which have been identified for a specific purpose. The overall reserves level has increased significantly from £7.8m to £10.6m, with the detailed position in respect of the various earmarked reserves set out:-

	Balance at 31 March 2020	Transfer 2020/21	Balance at 31 March 2021	
	£m	£m	£m	
Devolved Financial Management	0.288	0.015	0.303	This reserve enables budget holders to carry forward any surplus or deficit from one financial year to the next, giving greater flexibility in managing budgets thereby optimising the use of financial resources and facilitating better value for money. The levels of individual DFM reserves are reviewed each year as part of the revenue outturn/annual accounts process, to ensure that they are reasonable and that budget holders are not building up excessive reserves, with a maximum limit of £25k per budget. (Appendix 1 provides a breakdown of this reserve by individual department)
PFI Equalisation Reserve	4.483	0.110	4.593	This is used to smooth out the annual net cost to the Authority of both PFI schemes and will be required to meet future contract payments. The level of reserve required to meet future contract payments has been updated to reflect current and forecast inflation levels.
Insurance Aggregate Stop Loss (ASL)	1.118	-	1.118	The Authority has aggregate stop losses (ASLs) on both its combined liability insurance policy (£0.4m) and its motor policy (£0.3m). This means that in any one year the Authority's maximum liability for insurance claims is capped at the ASL. As such the Authority can either meet these costs direct from its revenue budget or can set up an earmarked reserve to meet these. Within Lancashire we have chosen to meet the potential costs through a combination of the two. Hence the amount included in the revenue

				budget reflects charges in a typical year, with the reserve being set up to cover any excess over and above this. As such the reserve, combined with amounts within the revenue budget, provides sufficient cover to meet 2 years' worth of the maximum possible claims, i.e. the ASL. It is worth noting that the revenue budget allocation has also been reduced in recent years reflecting the claims history. Without holding this reserve to cushion any major claims that may arise this would not have been possible. There was no utilisation during 2020/21 as the costs were met from the revenue budget and existing insurance provision.
Fleet & Equipment	0.580	(0.390)	0.190	This reserve provides scope to meet new equipment requirements identified in year or timing issues in terms of deliveries. In year usage reflects the purchase of both replacement of duty rig and firefighting PPE. In addition, £200k was transferred into the capital funding reserve to contribute to the future equipment replacement
Prince's Trust	0.372	0.050	0.422	This reserve has been established to balance short term funding timing differences and to also mitigate the risk of loss of funding and enable short term continuation of team activities, whilst alternative funding is found. Without this reserve any significant loss of funding would have an immediate impact on our ability to deliver the PT programme, and hence improve the lives of younger people.
Apprentices/ Graduates	0.152	(0.050)	0.102	This reserve was created from previous in-year underspend relating to the appointment of apprentices, which was delayed awaiting national developments. As such the reserve was set up to offset some of the costs that are

				incurred in future years, with the balance being met direct from the revenue budget. The flexibility this creates contributes to addressing apprenticeship targets, set by the Government, as well as addressing capacity issues within departments.
ESMCP	0.096	(0.016)	0.080	As part of the Emergency Services Mobile Communication Programme (ESMCP), transitional funding was made available to fund costs associated with the transition to the new national arrangements. Usage reflects our in-year spend against this as well as the return of any unused funds to the Regional pot for future usage. This is partly offset by earmarking a further £80k to meet future unfunded staffing costs associated project implementation.
Innovation Fund	0.500	-	0.500	This reserve was established to cover any unfunded developments that are identified which will improve service delivery, with any requests to utilise the fund requiring the approval of the Executive Board.
Covid-19 Ringfenced Funding	0.189	0.193	0.382	The Government has provided £1.4m of total funding to meet costs associated with the Covid pandemic. This balance represents the unused funding held by the Authority at year end, which is available to support activities in 2021/22.
Section 21 Business Rate Relief Grant	-	-	1.925	The Government provided Section 31 Rate Relief grant to individual billing authorities, in order to cover the additional in-year reliefs provided as a result of the pandemic. Business rates are split between the Government, billing authorities, Lancashire County Council and ourselves, we receive 1% of the total. As such this grant

				should be split in line with business rates. However, the Govt allocated all of this to billing authorities to aid cash flow, with the correct distribution anticipated in the new year, once the outturn business rates position has been agreed. As such we have accrued for our anticipated share of this in 20/21 but need to carry this forward via this reserve in order to meet the business rate collection fund shortfall that has arisen due to these additional reliefs.
C/Fwd. 2020/21 Underspend Relating to Timing of Activities	-	-	0.614	Within the revenue budget there are a number of items that have been delayed by the pandemic, and which therefore need funding carried forward from 20/21 to 21/22. These relate to areas such as fire safety, training provision, property maintenance, organisational development and digital transformation, and are purely a timing issue. This carry forward is already reflected din the year end revenue budget position reported earlier on this agenda.
Specific Grant C/Fwd. 20/21	-	-	0.358	This reserve carries forward unspent specific grants provided in 20/21 in respect of • Protection Uplift Grant • Building Risk Review Grant • Grenfell Infrastructure Grant We anticipate utilising these funds in the new financial year.
Various other ad hoc reserves	0.048	-	0.048	This balance covers various other smaller reserves for use in the medium term.
	7.827	2.810	10.637	

It is worth highlighting that a number of these reserves are short-term holding reserves and as such we anticipate drawing down these reducing our earmarked reserves to approx. £5m by March 2026, the majority of which will be attributable to the PFI reserve and the Insurance reserve.

Capital Reserves and Receipts

Capital Reserves have been created from under spends on the revenue budget in order to provide additional funding to support the capital programme in future years;

as such they cannot be used to offset any deficit on the revenue budget, without having a significant impact on the level of capital programme that the Authority can support.

Capital Receipts are generated from the sale of surplus assets, which have not yet been utilised to fund the capital programme.

In 2020/21 we utilised £163k of capital reserves. However, it is more than offset by the proposed transfer of £200k from earmarked reserves and of £348k from the general reserve, representing the in-year revenue underspend. In addition, the sale of vehicles generated £17k of capital receipts.

As a result of this the Authority currently holds £19.6m of capital reserves/receipts.

	Capital Reserves	Capital Receipts	Total
Balance at 31 March 2020	17.583	1.663	19.246
Capital expenditure	(0.163)	-	(0.163)
Capital receipts	-	0.017	0.017
Transfer from In-year revenue underspend	0.348		0.348
Transfer from earmarked reserves	0.200	-	0.200
Balance at 31 March 2021	17.968	1.680	19.648

However, the 2021/22-2025/26 capital programme, after allowing for slippage, shows all of this being utilised over the next 5 years of the capital programme.

North West Fire Control Reserves

The North West Fire Control (NWFC) reserves brought forwards form part of the opening balances, and the draft accounts' balances are included in the report and the draft accounts. This is not available for our use as it is our share of the NWFC required reserves.

Provisions

The Authority has three provisions to meet future estimated liabilities:-

- Insurance Provision, which covers potential liabilities associated with outstanding insurance claims. A review of current claims outstanding and our claims history has been undertaken and as such the provision has reduced slightly to £500k at 31 March 2021;
- RDS Provision, this provision dates back to the Part Time workers Regulations 2000 and, given we have resolved all the cases where we are able to, the remaining balance has been removed from this provision;
- Business Rates Collection Fund Appeals Provision, which covers the Authority's share of outstanding appeals against business rates collection funds, which is calculated each year end by each billing authority within Lancashire based on their assumptions of outstanding appeal success rates, as part of their year-end

accounting for the business rates collection fund. *Members should note that the 2020/21 core statements presented do not include the adjustments required for recognising the Authority's share of the collection fund income position for both Council Tax and Business Rates, as the information was not received from all billing authority's in time for inclusion in this report (this will be updated for the final version of the accounts).

	Insurance Provision	RDS Provision	Business Rates Collection Fund Appeals Provision*	Total
Balance at 31 March 2020	0.522	0.022	1.036	1.580
Additional provision/(Utilised in year)	(0.022)	(0.022)	-	(0.044)
Balance at 31 March 2021	0.500	-	1.036	1.536

Summary

The overall position at year end shows the Authority (excluding draft North West Fire Control balances) holding £37.8m of reserves and provisions, which is broadly in line with the anticipated £38.0m identified in the Reserves and Balances Policy, agreed in February.

At this level the Treasurer believes these are adequate to meet future requirements in the medium term.

Future forecasts (excluding NWFC balances) have been updated and are set out below:-

	General Reserve	Earmarked Reserve	Capital Reserves & Receipts	Total Usable Reserves	Provisions*	Total Reserves & Balances
	£m	£m	£m	£m	£m	£m
Balance 31/3/20	6.0	7.8	19.2	33.1	1.5	34.6
Change in year	0.0	2.8	0.4	3.2	(0.0)	3.2
Balance 31/3/21	6.0	10.6	19.6	36.3	1.5	37.8
Change in year	(1.3)	(3.2)	(7.3)	(11.8)	0.0	(11.8)
Balance 31/3/22	4.7	7.4	12.4	24.5	1.5	26.0
Change in year	(1.2)	(0.8)	(1.3)	(3.3)	0.0	(3.3)
Balance 31/3/23	3.6	6.6	11.1	21.2	1.5	22.7

Change in year	(0.7)	(0.5)	(7.4)	(8.6)	0.0	(8.6)
Balance 31/3/24	2.8	6.1	3.7	12.6	1.5	14.1
Change in year	(1.0)	(0.4)	(3.5)	(4.8)	0.0	(4.8)
Balance 31/3/25	1.9	5.8	0.2	7.8	1.5	9.3
Change in year	(0.5)	(0.4)	(0.2)	(1.1)	0.0	(1.1)
Balance 31/3/26	1.4	5.4	0.0	6.7	1.5	8.2

Financial Implications

As outlined in the report.

Business Risk Implications

The outturn report enables stakeholders to monitor how the Authority has performed financially in the year.

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	*Date*	Contact
Reason for inclusion in Part II, if appropriate:		

Appendix 1

Devolved Financial Management Earmarked Reserve

	Balance at 31 March 2020	Transfer 2020/21	Balance at 31 March 2021
	£000	£000	£000
Service Delivery			
Service Delivery	(100)	-	(100)
Control	-	-	-
Youth Engagement (inc PTV)	(25)	-	(25)
Special Projects	(13)	7	(6)
Strategy & Planning			
Fleet & Technical Services	-	(25)	(25)
Information Technology	(25)	-	(25)
Digital Transformation	-	(25)	(25)
Service Development	(25)	-	(25)
Training & Operational Review	(25)	-	(25)
People & Development			
Human Resources	(9)	9	-
Occupational Health Unit	(10)	-	(10)
Corporate Communications	(10)	(10)	(10)
Safety Health & Environment	-	-	-
Corporate Services			
Executive Board	-	-	-
Central Admin Office	(5)	-	(5)
Finance	(5)	5	-
Procurement	(25)	25	-
Property	-	(4)	(4)
External Funding	(11)	(8)	(19)
Pay			
TOTAL	(288)	(15)	(303)

LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE
Meeting to be held on 7 July 2021

CORE FINANCIAL STATEMENTS 2020/21
(Appendices 1, 2, 3, 4, 5 and 6 refer)

Contact for further information:
Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

This report presents the Core Financial Statements, which form part of the Statement of Accounts, for the Combined Fire Authority for the financial year ended 31 March 2021.

Members should note that the 2020/21 core statements presented do not include the adjustments required for recognising the Authority's share of the collection fund income position for both Council Tax and Business Rates, as the information was not received from all billing authority's in time for inclusion in this report (this will be updated for the final version of the accounts).

The Authority's 25% share of the North West Fire Control accounts ending 31 March 2021 has been included.

Recommendation

The Committee is asked note and endorse the draft Core Financial Statements.

Information

The Combined Fire Authority's Core Financial Statements, which form part of the Statement of Accounts, are attached as Appendix 1. The Statements take account of the information presented in the Year End Revenue Outturn, Year End Capital Outturn, Year End Treasury Management Outturn and Year End Usable Reserves and Provisions Outturn reports. However it must be borne in mind that they are prepared in line with recommended accounting practice and this is not accounted for on the same basis as we account for council tax. As such this means they do not match the details in the Outturn reports, and hence the following sections provide an overview of each statement and a reconciliation between Outturn reports and the Core Financial statements where appropriate.

The Statement of Accounts contains estimated figures that are based on assumptions about the future or that are otherwise uncertain, relating to areas such as pension liabilities, property asset valuations etc. Estimates are made taking into account historical experience, current trends or other relevant factors. These will be reported in detail to the Audit Committee in July for approval prior to the Treasurer approving the draft accounts, any subsequent change to these would lead to a change in the core statements as presented.

Members should note that the 2020/21 core statements presented do not include the adjustments required for recognising the Authority's share of the collection fund income position for both Council Tax and Business Rates, as the information was not received from all billing authority's in time for inclusion in this report (this will be updated for the final version of the accounts).

The Authority's 25% share of the North West Fire Control (NWFC) accounts ending 31 March 2021 has been included.

Narrative Report

This sets out the financial context in which the Combined Fire Authority operates and provides an overview of the financial year 2020/21 as well as details of future plans.

Comprehensive Income & Expenditure Account

This statement shows the accounting cost in the year of providing services. It is a summary of the resources that have been generated and consumed in providing services and managing the Authority during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

The main points to note are: -

	2020/21	2019/20	
Service Delivery	32,645	33,738	The cost of Service Delivery shows a decrease when compared with the previous year, largely attributable to Training and Operational Review moving into the Strategy & Planning Directorate during the year to align structures with the creation of the Prevention & Protection department, offset in part by additional costs in dealing with the pandemic (the grant income is shown towards the bottom of the table).
Strategy & Planning	12,415	8,576	The cost of Strategy & Planning shows an increase when compared with the previous year, due to Training and Operational Review moving into the Strategy & Planning Directorate during the year.
People & Development	1,611	1,633	The cost of People & Development is broadly comparable with last year.
Corporate Services	4,821	5,021	The cost of Corporate Services is broadly comparable with last year.
Fire Fighters Pensions	1,285	1,283	These are the ongoing pension costs relating to previous ill health or injury retirements, which have remained at a similar level to the previous year.
Overheads	1,574	1,846	This heading includes all capital financing charges, refunds made in respect of the LGPS surplus, and depreciation and impairment

			charges made in respect of assets. The reduction is attributable to changes associated with the adjustment required in respect of pension liabilities under IAS 19.
Gain On Disposals Of Fixed Assets	(17)	(14)	This relates to the sale of surplus vehicles.
Interest Payable	1,439	1,461	This heading includes the interest payable in respect of current loans, and the interest charges associated with the PFI scheme and finance leases, which are in line with the previous year's charges.
Pension Interest Cost And Expected Return On Assets	18,207	21,130	This relates to adjustments required under IAS 19 requirements, and is designed to show the expected increase in costs of the scheme less the expected increase in asset values. As the Fire-fighters pensions' scheme is unfunded there is no increase in asset value to offset the increase in scheme costs resulting in the charge to the Income and Expenditure Account.
Interest Receivable	(253)	(332)	The level of interest earned on investments has decreased, largely attributable to the reduction in the call account interest rate at the end of 2019/20, in line with the Bank of England base rate reduction. We continue to hold several fixed term investments with other Local Authorities as reported in the Treasury Management Outturn report, but are experiencing an overall decrease in the interest receivable from these.
Council Tax*	(31,813)	(30,724)	Amounts raised through council tax, including the Authority's element of council tax collection fund surplus accumulated during the preceding year by the billing authorities. *As we have not yet received the collection fund accounting from District councils, currently the 2020/21 amount reflects the amount of cash received in year and will be updated to reflect the total amount due.
Revenue Support Grant	(8,523)	-	The level of Revenue Support Grant allocated to the Authority by the Government, we did not receive any during 2019/20 due to the Lancashire business rates pool pilot, which we were only part of for that year. Instead, our NNDR increased to compensate for this.
Non-Domestic Rates Redistribution*	(15,757)	(23,930)	Amounts raised through non-domestic rates, including the Authority's element of business rates collection fund surplus accumulated during the preceding year by the billing authorities, in addition to top up grant

			receivable from the Government as part of the localisation of business rates. The change between years reflects the reduction for the business rates pool applicable during 2019/20 only. *As we have not yet received the collection fund accounting from District councils, currently the 2020/21 amount reflects the amount of cash received in year and will be updated to reflect the total amount due
Capital grant income	(253)	(417)	This grant is the Authority's 25% share of the capital grant received by NWFC.
Business rates S31 grant	(1,284)	(1,654)	This grant is allocated to the Authority by the Government, and relates to small business rates reliefs allowed by the Government as part of the localisation of business rates.
Business rates additional reliefs S31 grant	(1,925)	-	The 2020/21 balance relates to additional business rates relief funding announced prior to 31 March which will be received during 2021/22, but relates to 2020/21.
Covid 19 S31 grant	(1,346)	-	This reflects the S31 grant received during 2020/21, the majority of which has been spent during the year as previously reported, and the balance transferred into an earmarked reserve for future use.
Deficit On The Provision Of Services	**12,825**	**17,618**	The overall deficit shows that expenditure incurred exceeded income generated over the last twelve months, and is measured in terms of the resources consumed and generated. However, this includes a number of accounting entries which do not impact on council tax levels, most notably those relating to the pensions schemes. As such this does not show the actual surplus when comparing spend against council tax.
(Surplus)/Deficit On Revaluation Of Non-Current Assets	(2,523)	(4,240)	This is a notional change in the value of fixed (non-current) assets, based on changes in market conditions etc. No actual change in value will be achieved until such time as the asset is disposed of.
Actuarial (Gains)/ Losses On Pensions Assets And Liabilities	61,444	(68,795)	This is a notional charge arising from the Actuary changing their assumptions on which future pensions liabilities are calculated, such as mortality rates, future interest rates, pay and pension increases, return on assets etc. In 1920 actuarial gains reduced the overall pensions liability, as the forecast rates of CPI (and therefore future salary and pensions increases) had reduced from the year before, largely due to market uncertainties surrounding the pandemic.

			In 2021 the forecast rate of CPI recovered to slightly more than the 1819 figure, although the salary and pension forecasts increased, they are still lower than the pre 1920 percentages, again reflecting the ongoing impacts of the pandemic.
Total Comprehensive Income And Expenditure	**71,746**	**(55,416)**	This shows the total cost of providing services, presented in accordance with generally accepted accounting practices, rather than showing the amount funded from taxation.

In order to aid understanding the following table shows the comparison between the revenue budget position, as set out in the Year End Revenue Outturn report, and the Total Comprehensive Income and Expenditure figure set out above:-

	£m
Revenue Outturn	(0.363)
Transfer to DFM Earmarked reserve	0.015
Transfer for capital funding reserve	0.348
NWFC Outturn	(0.113)
Accounting for pensions under IAS19	13.584
Revenue Contributions to Capital Outlay	(2.491)
Adjustments between accounting basis and funding basis under regulations	1.847
Deficit on the provision of services	**12.825**
Surplus on revaluation of non-current assets	(2.523)
Actuarial loss on pensions assets and liabilities	61.444
Total Comprehensive Income and Expenditure	**71.746**

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into:-

- Usable Reserves - those that the Authority may use to provide services or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use
- Unusable Reserves – those include reserves that hold unrealised gains and losses (e.g. the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences 'between accounting basis and funding basis under regulations'.

The main points are:-

	Usable Reserves	Unusable Reserves	Total Reserves	
Balance at 1 April	33,860	(727,029)	(693,169)	
Deficit on the provision of service	(12,825)	-	(12,825)	This shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. As set out earlier it is not accounted for on the same basis as we account for council tax and hence does not tie in to the actual revenue position set out in the Year End Revenue Outturn report.
Other Comprehensive Income And Expenditure	-	(58,921)	(58,921)	This relates to the surplus on revaluation of non-current assets and the actuarial loss on pensions assets and liabilities
Charges for depreciation and impairment of non-current assets	4,953	(4,953)	-	This shows the costs charged to the revenue budget for the utilisation of fixed assets in the year
Amortisation of intangible assets	221	(221)	-	This shows the costs charged to the revenue budget for the utilisation of intangible assets (Software) in the year
Amount by which the Code and the statutory pension costs differ	13,584	(13,584)	-	This shows the difference between the change in pension liability from one year to the next and the level of employer pension contributions and retirement benefits allowed for in the revenue budget/council tax calculation.
Amount by which collection fund income in the comprehensive income and expenditure statement is different from collection fund	-*	(-)*	-	*Not completed collection fund accounting – awaiting details from District Councils. This shows the difference in value between the amount due to be raised from council tax and business rates, as agreed as part of the budget setting process, and the amount collection authorities have

income calculated for the year in accordance with statutory requirements				actually collected on our behalf in the year, i.e. the difference between the assumed collection rate and the actual collection rate.
Statutory provision for the repayment of debt	(412)	412	-	This is the charge made against the revenue budget to reduce future borrowing requirements, and includes an element relating to debt associated with PFI and finance leases
Voluntary provision for the repayment of debt	(10)	10	-	In line with the approved Treasury Management Strategy for 2020/21, the Authority has prudently set aside MRP in relation to borrowing.
Capital expenditure charged against General Fund Balance	(2,491)	2,491	-	This is the level of capital expenditure which has been funded from contributions from the 2020/21 revenue budget, as agreed as part of the budget setting process and as shown in the Year End Capital Outturn report.
Net increase/decrease before transfers to earmarked reserves	3,020	(74,766)	(71,746)	This shows the Usable Reserves Balance change in year before any discretionary transfers to or from Earmarked Reserves undertaken by the Authority.
Transfers (to)/from capital funding reserves	(163)	163	-	These represents the transfers from the capital funding reserve referred to in the Year End Capital Outturn report and the Year End Usable Reserves and Provisions report.
Amount by which remuneration charged on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	130	(130)	-	This represents the movements on the Accumulated Absences Adjustment Account, which reflects the increase in the amount of leave owing to staff as at year end.

Increase/Decrease in the year	2,988	(74,734)	(71,746)	This is the net change to reserves, comprising the Surplus/Deficit on provision of services, less any adjustments for items which don't affect council tax and any transfers to/from earmarked reserves and ties into the overall change in Usable reserves included in the Year End Usable Reserves and Provisions Outturn report
Balance at 31 March	**36,848**	**(801,763)**	**(764,915)**	These are the final reserve balances which are reflected in the balance sheet in the statement of accounts, and which tie in to the values shown in the Year End Usable Reserves and Provisions Outturn report.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority.

The main points to note are: -

	2020/21	2019/20	
Long Term Assets			
Property, Plant & Equipment	99,538	99,314	The value of property, plant & equipment has increased by £0.2m, due to the level of capital expenditure (£2.7m as shown in the Year End Capital Outturn report) and the net revaluation gains of £1.7m compared with depreciation charges of £4.2m.
Intangible assets	639	859	Intangible assets are assets which do not have a physical form, such as software, the reduction in value reflecting the level of amortisation of these assets, representing their usage in year.
Long Term Investments	10,000	5,000	The Authority holds two investments with Local Government bodies which is classed as long-term investments, i.e. over 12 months in duration, as shown in the Year End Treasury Management Outturn report.

Current Assets			
Inventories	279	238	The value of stock held has remained broadly in line with last year.
Short-Term Investments	5,000	5,000	The Authority holds one investment with Local Government bodies which are classed as short term investments, i.e. under 12 months in duration, as shown in the Year End Treasury Management Outturn report.
Short-Term Debtors*	10,800	8,801	Debtors represent monies owed to the Authority on 31st March 2021. In order to improve cash flow this figure should be as low as possible, however it is inevitable that there will always be a balance on this due to the timing of invoices and the debt recovery process. The main debt relates to Council Tax, Business Rates (which represent our share of debts that billing authorities hold) and amounts owed to the Authority by the FF pension fund in the form of top up grant due during September 2021. *Note the collection fund accounting has not been completed for 2020/21, therefore the carrying values relating to Council Tax and Business Rates remain at the closing balances from 2019/20. These will be updated. The level of debtors at the year-end has increased as a result of S31 government grants relating to 2020/21 which will be received during 2021/22.
Cash & Cash Equivalents	22,603	27,922	This represents the cash book balance at the year end, which is held in a call account by Lancashire County Council (LCC) as shown in the Year End Treasury Management Outturn report. The reduction reflects the placing of fixed term investments during the year.
Current Liabilities			
Other Short-Term Liabilities	(452)	(417)	This relates to short term liabilities in respect of the Authorities PFI contracts with PFF Lancashire Ltd and Balfour Beatty Fire and Rescue NW Ltd and in addition the short term element of finance leases.
Short-Term Creditors*	(9,581)	(10,252)	This figure represents the amount of money we owe to other bodies at 31st March 2021. The overall balance has reduced during the year as there was a large receipt in advance at the end of 2019/20. *Note the collection fund accounting has not been completed for 2020/21, therefore the

			carrying values relating to Council Tax and Business Rates remain at the closing balances from 2019/20. These will be updated.
Long Term Liabilities			
Provisions*	(1,536)	(1,580)	This shows the outstanding provisions, relating to the potential cost of outstanding insurance claims, which will have to be met by the Authority in future years, the remaining balance of the Authority's share of billing authorities business rates outstanding appeals. *Note the collection fund accounting has not been completed for 2020/21, therefore the carrying values relating to Council Tax and Business Rates remain at the closing balances from 2019/20. These will be updated.
Long-Term Borrowing	(2,000)	(2,000)	This represents the amount of long term debt that the Authority holds which does not mature within the next 12 months. The balance of £2.0m is due to mature between 2035-2037.
Other Long-Term Liabilities	(900,205)	(826,053)	This majority of this relates to adjustments required under IAS 19, and shows the extent to which the authority's liability to pay pension benefits in the future exceeds the value of assets held. This is particularly significant for the Fire Authority due to the unfunded nature of the fire-fighters pension scheme, resulting in a net liability of £887m. This also includes liabilities covering the remainder of the contract associated with the two PFI contracts; • PFF Lancashire Ltd for the provision of two fire stations, • Balfour Beatty Fire and Rescue for the provision of four fire stations within Lancashire, as part of the joint contract to provide sixteen stations across Lancashire, Cumbria and Merseyside. In addition, this also includes liabilities relating to an outstanding finance lease.
Total Assets Less Liabilities	**(764,915)**	**(693,169)**	

Financed By			
Usable Reserves:			
Revenue Reserves	(17,100)	(14,177)	This is the level of reserves that the Authority currently holds which can be utilised to offset future revenue expenditure, subject to the need to maintaining a prudent level of reserves and any statutory limitations on their use. It includes the general reserves as well as any earmarked reserves. The increase in year represents several government grants recognised in 2020/21 which will be spent during 2021/22, plus the transfer of £0.6m into a Covid timing reserve as referred to in the Year End Revenue Outturn report, and the Usable Reserves and Provisions Outturn report.
Capital Funding Reserve	(17,967)	(17,583)	This reserve holds £18.0m of balances to fund future capital expenditure, as referred to in the Year End Capital Outturn and Usable Reserves and Provisions Outturn reports.
Capital Grant Unapplied	(101)	(438)	The capital grant unapplied relates to the Authority's share of the NWFC end of year balances.
Usable Capital Receipts Reserve	(1,680)	(1,663)	This represents the proceeds from the sale of fixed assets which are used to finance capital investment. The increase in value representing the sale proceeds for vehicles, as referred to in the Year End Usable Reserves and Provisions Outturn reports.
Unusable Reserves:			
Revaluation Reserve	(47,400)	(46,544)	This account holds unrealised revaluation gains, or losses, from holding fixed assets, as such any revaluations that have taken place since 1 April 2007 are reflected in this reserve. These reserves are matched by fixed assets within the Balance Sheet and are not resources available to spend.
Capital Adjustment Account	(38,893)	(39,325)	The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls system. These reserves are matched by fixed assets within the Balance Sheet and are not resources available to spend.
Collection Fund Adjustment Account*	(589)	(589)	This account reflects the net effect of the adjustments required to show our share of each billing authority's council tax and business rates debtors and creditors at year

			end. *Note the collection fund accounting has not been completed for 2020/21, therefore the carrying values relating to Council Tax and Business Rates remain at the closing balances from 2019/20. These will be updated.
Accumulated Absences Adjustment Account	941	811	This account represents the value of leave accrued at the year end, but which has not yet been taken, and hence has been carried forward into the new financial year. However, given that the leave year for Fire Fighters runs from January to December leave entitlement is calculated on a pro-rata basis which can distort the overall position. The increase reflects the effect of untaken leave for both Fire Fighters and support staff.
Pensions Reserve	887,704	812,676	This relates to adjustments required under IAS 19, and is a notional reserve required in order to offset the net liability of the Authority in respect of the pension schemes.
	764,915	**693,169**	

Cash Flow Statement

The cash flow statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The main points to note are:-

	2020/21	2019/20	
Net Cash Flows Arising From Operating Activities	3,388	7,786	This shows the level of net cash generated by revenue activities, i.e. the level of income received in the form of grant, council tax etc., offset by payments made in respect of employee costs and non-pay costs etc. The reduction in 2020/21 reflects both the increase in debtors for the S31 grants relating to 2020/21 expected during 2021/22, and the reduction in the IAS19 adjustment for the net pensions charges applied to the CIES.
Investing Activities	(6,874)	7,116	This shows the cash outflows which have been made for resources that are intended to contribute to the Authority's future service delivery, such as placing an additional £5m on fixed term deposit, and £2.0m of expenditure on capital assets.

Financing Activities	(1,833)	(1,822)	This relates to the repayment of long term debt, including that associated with PFI and finance leases.
Net increase/(decrease) in cash and cash equivalents	**(5,319)**	**13,080**	This shows the movement in the net cash immediately available within the Authority in a call account with LCC. This shows a reduction in year, reflecting the fixed term investments placed during the year.

Signing of the Statement of Accounts

The unaudited Statement of Accounts will be signed by the Treasurer to certify that it presents a true and fair view of the financial position of the Authority as at 31 March 2021.

This will be subject to review by the Authority's external auditors, Grant Thornton, which is scheduled to take place in July to September. A further report will be presented to the Audit Committee in September, following completion of the external audit. At this meeting the Chair of the Audit Committee will be asked to sign the final statement of accounts, as well as the Treasurer.

Effect of IAS19 Pensions accounting on the Core Statements

To assist members understanding of the financial position at 31 March 2021, Appendix 6 contains the four core statements with the Pensions accounting for IAS19 removed. Most notable within these is the Balance Sheet which shows our true net worth at £123m.

Financial Implications

As outlined in the report.

Business Risk Implications

The Statement of Accounts sets out how the Authority has performed financially in the year, and as such is a key means of stakeholders monitoring the Authority and assessing how it is performing.

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	*Date*	Contact
SORP and Guidance	February 2021	Keith Mattinson, Director of Corporate Services
Final Account Working Papers	May 2021	Keith Mattinson, Director of Corporate Services
Reason for inclusion in Part II, if appropriate:		

Appendix 1

NARRATIVE REPORT

The Lancashire Combined Fire Authority (CFA) (the Authority) was established as a free-standing body from 1 April 1998. It sets its own budget, holds its own reserves, raises its own council tax and receives funding direct from the Government and through business rates.

The Authority must prepare and publish a Statement of Accounts annually. Its purpose is to give electors, local taxpayers, Fire Authority Members, employees and other interested parties clear information about the Fire authority's finances.

The aim is to provide information on:

- the cost of providing Fire Authority services in the financial year 2020/21
- how these services were paid for
- what assets the Fire Authority owned at the end of the financial year, and
- what was owed, to and by, the Fire Authority at the end of the financial year.

This narrative report gives a guide to the most important matters included in the Statement of Accounts.

Contents of this Statement of Accounts

This Statement of Accounts covers the financial year ended on 31 March 2021 (referred to as 2020/21). It has been prepared in accordance with the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021 and the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. The Statement contains:

Statement on Annual Governance Arrangements – Sets out the Authority's responsibilities with regard to the system of internal control and corporate governance.

Independent Auditor's Report to the Members of Lancashire Combined Fire Authority – The Auditor's report to the CFA on the accounts for 2020/21, which are set out in the sections shown below.

Statement of Responsibilities for the Statement of Accounts – Sets out the responsibilities of the Authority and the Treasurer with regards to the statement of accounts.

Comprehensive Income & Expenditure Statement - This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Fire Authority raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Movement In Reserves Statement – This statement shows the movement in year on the different reserves held by the Fire Authority analysed between usable and other reserves. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Fire Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

Balance Sheet – This shows information on the financial position of the Fire Authority as at the 31 March 2021, including the level of balances and reserves at the Fire Authority's disposal, its long term indebtedness and the value of the assets held by the Fire Authority.

Cash Flow Statement – This shows the cash and cash equivalent movements in and out of the Fire Authority due to transactions with third parties for revenue and capital purposes.

Fire Fighters Pension Fund Account and Net Assets Statement – Shows the financial position of the fire fighters pension fund account, showing whether the Authority owes, or is owed, money by the Government in order to balance the account, together with details of its net assets.

Review of the Year

We have remained financially secure and are in a strong position not only to face future challenges but to lead innovation and improvements in our sector. We have continued to invest in people, training and equipment; prioritised operational effectiveness and efficiency to meet the challenges of an increasingly complex environment; embedded clear values and strong leadership throughout the organisation; and looked for new ways to collaborate to improve services for local people.

In 2020 we faced the unprecedented effects of the Covid-19 pandemic and invoked our Business Continuity Plan to ensure we responded appropriately and proportionately. In terms of the impact on our provision of services, we continue to attend fires and road traffic collisions as before, but have had to temporarily cease some activities, such as Home Fire Safety checks where a member of staff enters the home, and the Fire Cadets programme. We continue to monitor the latest guidance and have prepared detailed plans to bring back on line all ceased activities when it is safe to do so.

Whilst operational crews continued to attend fire stations and provide services, the majority of non-operational staff were, where possible, provided with equipment to enable them to work from home. Where staff could not carry out their ordinary role from home, we utilised them to assist the Lancashire Resilience Forum in various duties benefitting the public of Lancashire, such as assistance with distribution of food parcels and maintaining telephone contact with vulnerable adults, and latterly with the role out of the vaccine. Within the sector Lancashire has been at the forefront of these activities, with over 300 staff volunteering to support the delivery of over 350,000 vaccinations.

In 2018/19 Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) undertook its first independent inspection of the Service. Lancashire was one of only two services in the country to receive an outstanding rating along with all other areas rated as good, and no areas requiring improvement in any of the 11 categories assessed. A second round of inspections is anticipated in 2021/22, and we remain focussed on continuous improvement with progress being made in improving protection services, identifying high potential staff and aspiring leaders and prioritising our risk-based inspection programme.

As a result of the pandemic Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) undertook a thematic review of the Fire Sectors, and individual authorities, response to the crisis. Whilst no overall rating is provided the report stated "In *summary, the service adapted and responded to the pandemic effectively. It used on-call and wholetime firefighters to respond to emergencies, and it gave additional support to the community during the first phase of the pandemic. Prevention and protection staff made home fire safety visits to the most vulnerable people and businesses. They used appropriate personal protective equipment (PPE) for these visits. This meant the people of Lancashire were well supported throughout the pandemic. The service was able to effectively deal with some significant incidents, such as wildfires and flooding, during this period*."

The Authority recruited 43 new whole-time firefighters and 32 new on call firefighters, of which 13% were female and 4% were from a BME background.

We have continued to develop collaborative opportunities. We are continuing to review further opportunities for site sharing with both North West Ambulance Service and Lancashire Constabulary. We continue to support Lancashire Constabulary by use of a shared drone, as well as assisting in missing persons searches.

2020/21 activity has increased marginally to just over 17,334 incidents, and the number of accidental dwelling fires increased by 58 from the previous year. Deliberate dwelling fires reduced to 105. A total of 811 gaining entry incidents were undertaken in 2020/21, broadly the same as the previous year.

The 2020/21 Financial Overview

The Authority's spending is planned and controlled by an annual budget process, which leads to the setting of its budget requirement. Expenditure on the day-to-day running costs of the service is determined through the Revenue Budget and is recorded in the Comprehensive Income and Expenditure Statement.

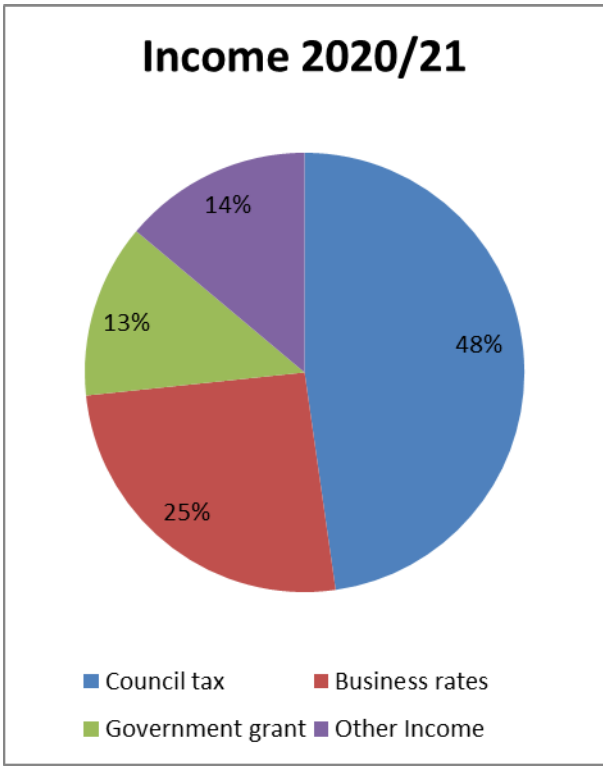
In setting its budget the Authority aims to balance the public's requirement for and expectations of our services with the cost of providing this. As such the revenue budget focuses on the need to:-

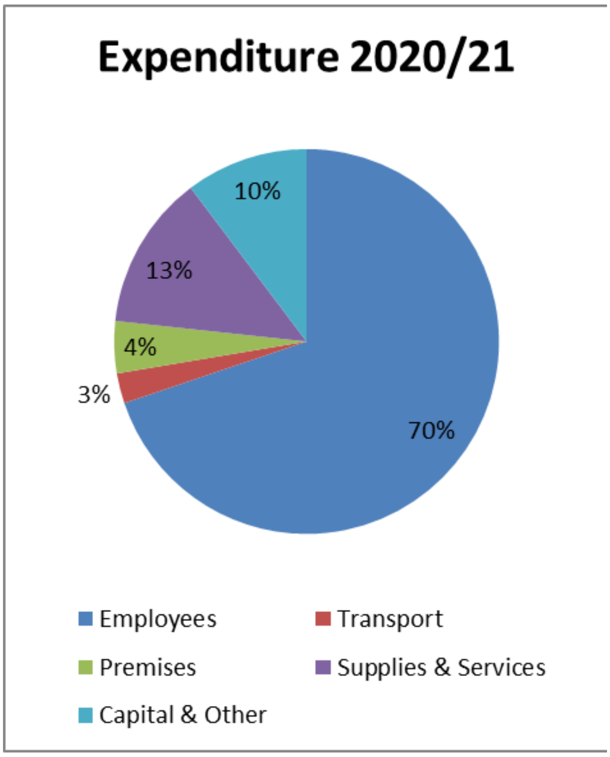
- deliver services as outlined in the Risk Management Plan and other plans
- maintain future council tax increases at reasonable levels
- continue to deliver efficiencies in line with targets
- continue to invest in improvements in service delivery and facilities
- set a robust budget that takes account of known and anticipated pressures
- maintain an adequate level of reserves

Despite an increase in Government funding of £0.4m, the Authority had to identify efficiencies of £0.8m and a potential draw down of £0.4m reserves in order to offset financial pressures and deliver an acceptable budget. This resulted in a gross revenue budget of £57.3m, an increase of just over 2%, and a council tax of £70.86. This represented a 1.99% increase in council tax, in line with the referendum limit. Based on this the budget was considered affordable, prudent and sustainable, whilst ensuring that the Authority was able to deliver against its corporate priorities.

The net revenue position shows an overall underspend of £0.4m, with the main variances relating to vacant posts, as early leavers/retirements have outstripped budgetary allowances, which is partly offset by increased capital financing costs associated with changes to the capital programme. This has negated the need for any drawdown from reserves to support the budget.

The following charts show a breakdown of where the monies we received come from and how we spent this:





A summarised comparison of the Fire Authority's expenditure for the year compared with budget is set out below:

SofA foreward spend analysis			
Spend/Income type	£000		
	Budget	Spend	(Under)/ over spend
Employees: pay costs	45,885	45,228	(657)
Other employee related costs	1,114	1,030	(84)
Premises	2,910	2,900	(10)
Transport	2,073	1,678	(395)
Supplies & services	8,828	8,617	(211)
Capital financing costs & other	5,825	6,814	989
Total Expenditure	66,635	66,268	(367)
Other Income	(9,296)	(9,253)	43
Budget requirement	57,340	57,015	(324)
Funded by:			
Council tax	(31,813)	(31,813)	-
Business rates	(17,003)	(17,041)	(38)
Government grant	(8,524)	(8,524)	-
	(57,340)	(57,378)	(38)
Net Underspend	-	(363)	(363)

The following reconciliation shows the comparison between the revenue budget position, as set out above, and the Total Comprehensive Income and Expenditure figure reported in the accounts on page 19.

	£m
Revenue Outturn	(0.363)
Transfer to DFM Earmarked reserve	0.015
Transfer for Capital Funding reserve	0.348
Recognise 25% share in North West FireControl Limited	(0.113)
Accounting for pensions under IAS19	13.584
Revenue Contributions to Capital Outlay	(2.491)
Adjustments between accounting basis and funding basis under regulations	1.845
Deficit on the provision of services	**12.825**
Surplus on revaluation of non-current assets	(2.523)
Actuarial loss on pensions assets and liabilities	61.444
Total Comprehensive Income and Expenditure	**71.746**

As the Authority's current general fund balance stands at £6.0m and given the scale of the capital programme the revenue underspend of £0.4m has been transferred into the capital funding reserve, reducing future borrowing requirement. The Authority's (excluding North West FireControl) general fund balance therefore remains at £6.0m within the target level identified by the Treasurer (a minimum of £3.2m and a maximum of £10.0m). (Note the General Fund Balance including our share of North West FireControl general reserves is £6.5m.) This still provides capacity to cope with anticipated funding cuts in the short term whilst appropriate efficiencies are identified, and the on-going use of reserves remains a key element of the Authority's future financial plans. It is worth noting that the latest medium term financial strategy, identified at the time of setting the 2021/22 budget, shows over £4m of this reserve being used to balance the anticipated revenue budget funding gap by 2026.

The Authority also holds an additional £10.6m of earmarked revenue reserves and £19.6m of capital reserves and receipts. The Capital reserves and receipts are fully utilised within the medium-term financial strategy, reducing to zero in 2025/26. It is also worth noting that over half of the earmarked reserve relates to the Authorities two PFI schemes, whereby monies are set aside in the early years of the schemes to meet future costs, thus smoothing out the impact of inflationary pressures.

The Authority has continued to invest in its asset base, with capital expenditure incurred in the year totalling £2.7m, as set out below:-

	Spend
Vehicles • Pumping Appliances – completion of stage payments for 7 Pumping Appliances from the 2018/19 capital programme • Operational Support Vehicles –various support vehicles, such as vans and cars	 £0.3m £0.4m
Buildings • Training Centre – STC Workshop • South Shore Fire Station refurbishment & extension	 £1.7m £0.3m
Total	£2.7m

The Balance Sheet shows that the Authority's Total Net Liabilities have increased to £765m. This reflects the Authority's compliance with International Accounting Standards and in particular the requirement to show the full pensions liability in the accounts. Whilst the liability on the Local Government Pension Scheme is partly funded the Fire-fighters Pension Scheme is unfunded, i.e. there are no assets from which future liabilities will be paid, and hence the Authority's overall pension liability of £888m is extremely large. If this liability was excluded the Authority's Total Net Assets would be £123m. The pension liability includes estimated costs in relation to the McCloud judgement, further details can be found in Note 20.

Long term assets have increased slightly in value to £110m, reflecting the increase in long term investments.

Future Financial Plans

Due to economic uncertainty the anticipated 4 year Sending Review was reduced to a single year review, covering 2021/22, with a new Spending Review planned for next year. This is anticipated to cover 2022-2025. This year should also have seen the outcome of the Fair Funding review, which looked to re-assess the methodology under which funding was allocated to individual authorities, and the implementation of a 75% Business Rates Retention Scheme, however given current pandemic and economic uncertainty both of these have been put on hold for at least a further 12 months. As a result the 2021/22 Local Government Finance Settlement showed an increase in the Governments Settlement Funding Assessment of 0.19%.

The Authority has plans to deliver £0.2m of cashable efficiencies in 2021/22 but these are more than offset by increased costs associated with the need to build additional capacity into support departments and the additional costs associated with the increase in Firefighter numbers following ongoing recruitment campaigns. Overall these changes result in a revenue budget of £58.5m. However in order to deliver a council tax increase within the referendum limit (2%) the Authority needed to either identify further savings or utilise reserves of £0.3m, resulting in a net revenue budget requirement is £58.2m, an increase of 1.5%, resulting in a council tax of £72.27, an increase of 1.99%. It should be note that no allowance was built in for pay awards in 21/22, following the government announcement for an intended public sector pay freeze. Based on this the budget, as presented, is considered affordable, prudent and sustainable, whilst ensuring that the Authority is able to deliver against its corporate priorities.

Given economic uncertainty, particularly surrounding the Covid-19 pandemic, the longer term implications of Brexit, the potential impact of the Fair Funding Review and the roll out of greater local retention of Business rates, it is extremely difficult to anticipate what funding will look like beyond the existing settlement, hence for the purpose of medium term financial strategy we had assumed that the funding will increases broadly in line with inflation, at 1.5% per annum.

Based on this we will be faced with a funding gap in future years, the extent of which depends on future council tax decisions, and we will continue to utilise reserves and identify savings in order to deliver a balanced budget in the medium term.

Overall the Authority is well placed to meet the financial challenges that it faces in the medium term, and will continue to balance future council tax levels and the need for investment whilst maintaining effective service delivery.

The capital budget continues to invest in our asset base, in particular vehicle replacement, refurbishment/replacement of stations, new IT requirements and new operational equipment. This gives rise to a capital program of £44m over the next five years.

We will continue to invest in training assets, with work on-going to provide new workshop/BA training facilities at the Training Centre. We will undertake a more detailed feasibility study on the relocation of Service Headquarters.

We will continue to invest in our operational equipment to ensure that our staff have the best equipment available, and the programme includes the replacement of our Breathing Apparatus sets and telemetry, our cutting/extrication equipment, defibrillators and light portable pumps over the next five years.

When the national Emergency Services Mobile Communications Programme (ESMCP) progresses to a stage where we can purchase replacement radio and mobilising equipment we will upgrade our current provision. This project has incurred delays and is outside of our control. It is assumed that any costs to the Authority will be funded by specific capital grant

Whilst the majority of this can be funded from a combination of revenue contributions, specific capital grant provided by the government, capital reserves and receipts and general reserves. Should the replacements of both Service Headquarters and Preston Fire Station go ahead, over the five years there is a potential shortfall in funding of £11m in the final year of the programme. However the programme is based on many assumptions which will be refined over time. Over the next three years the capital programme is affordable, sustainable and prudent.

The following significant financial risks have all been assessed and the Treasurer feels that these are adequately covered within the budget estimates or within the level of reserves currently held:-

- Reductions in funding levels over and above those forecast;
- Reduction in funding via Business Rates retention scheme;
- Reduction in council tax funding due to changes in collection rates, localisation of council tax support, reducing tax base and/or council tax referendum limits;
- Higher than anticipated inflation;
- Larger increases in future pension costs/contributions;
- Significant changes in retirement profiles;
- Increase in costs arising from demand led pressures, i.e. increasing staff numbers, overtime due to spate conditions or major equipment replacement requirements;

Financial plans will continue to be reviewed in light of the pandemic with particular reference to Council Tax and Business Rates income funding projections.

Accounting Changes

The accounts have been prepared in accordance with the requirements of the latest Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2020/21 (the Code).

Comprehensive Income & Expenditure Account

Comprehensive Income & Expenditure Account	2020/21			2019/20		
	Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Income	Net Expenditure
	£000	£000	£000			
Continuing operations						
Service Delivery	34,637	(1,992)	32,645	35,760	(2,022)	33,738
Strategy & Planning	13,238	(823)	12,415	9,065	(489)	8,576
People & Development	1,613	(2)	1,611	1,633	-	1,633
Corporate Services	4,880	(58)	4,821	5,081	(60)	5,021
FF Pensions	1,307	(23)	1,285	1,310	(27)	1,283
Overheads	6,587	(5,014)	1,574	6,776	(4,930)	1,846
Net cost of services	**62,262**	**(7,912)**	**54,350**	**59,625**	**(7,528)**	**52,097**
Other operating expenditure						
(Gain)/Loss on disposal of fixed assets			(17)			(14)
Financing & investment income & expenditure						
Interest payable and similar charges			1,439			1,461
Pensions interest cost and expected return on pensions assets			18,207			21,130
Interest and investment income			(253)			(332)
Taxation and non-specific grant income						
Council tax			(31,813)			(30,724)
Revenue support grant			(8,523)			-
Non-domestic rates redistribution			(15,757)			(23,930)
Non specific grant income:						
Capital grant			(253)			(417)
Business rates S31 grant			(1,284)			(1,654)
Business rates additional reliefs S31 grant			(1,925)			-
Covid relief S31 grant			(1,346)			-
Deficit on provision of services			**12,825**			**17,618**
(Surplus)/Deficit on revaluation of fixed assets			(2,523)			(4,240)
Actuarial (gains)/losses on pension fund assets			61,444			(68,795)
Other comprehensive income & expenditure			**58,921**			**(73,035)**
Total Comprehensive Income and Expenditure			**71,746**			**(55,416)**

Appendix 3

Movement in Reserves Statement

	Usable Reserves							Unusable Reserves						
	General Fund	Earmarked Reserves	Total General Fund Balance	Capital Fund	Capital grant unapplied	Usable Capital Receipts	**Usable Reserves**	Reval Reserve	CAA	AAAA	Coll Fund	Pension Reserve	**Unusable Reserves**	**Total reserves**
Bal at 1.4.20	6,350	7,827	14,177	17,582	438	1,663	**33,860**	46,544	39,325	(811)	589	(812,676)	**(727,029)**	**(693,169)**
Surplus/(Deficit) on provision of services	(12,825)		(12,825)				**(12,825)**						**-**	**(12,825)**
Other comprehensive income & expenditure			-				**-**	2,523				(61,444)	**(58,921)**	**(58,921)**
Total comprehensive income & expenditure	(12,825)	-	(12,825)	-	-	-	**(12,825)**	2,523	-	-	-	(61,444)	**(58,921)**	**(71,746)**
Adjustments between accounting basis and funding basis under regulations:														
Depreciation & impairment of non-current assets	4,953		4,953				**4,953**	(1,667)	(3,286)				**(4,953)**	**(0)**
Amortisation of intangible assets	221		221				**221**		(221)				**(221)**	**-**
Write off of assets disposed	(17)		(17)			17	**-**	-					**-**	**-**
Utilisation of capital grant unapplied	337		337		(337)		**-**		-				**-**	**-**
Amount by which the code & statutory pension costs differ	13,584		13,584				**13,584**					(13,584)	**(13,584)**	**-**
Amount by which the collection fund income in CI&E is different to the amount taken from the GFB	-		-				**-**				-		**-**	**-**
Statutory provision for the repayment of debt	(412)		(412)				**(412)**		412				**412**	**-**
Capital expenditure charged to the GFB	(2,491)		(2,491)				**(2,491)**		2,491				**2,491**	**-**
Voluntary provision for the repayment of debt	(10)		(10)				**(10)**		10				**10**	**-**
	16,165	-	16,165	-	(337)	17	**15,845**	(1,667)	(594)	-	-	(13,584)	**(15,845)**	**(0)**
Net increase/decrease before transfers to earmarked reserves	**3,340**	**-**	**3,340**	**-**	**(337)**	**17**	**3,020**	**856**	**(594)**	**-**	**-**	**(75,028)**	**(74,766)**	**(71,746)**
Tfr to/(from) earmarked reserves	(3,010)	3,010	-				**-**						**-**	**-**
Tfr to/(from) capital fund	(347)	(200)	(547)	384			**(163)**		163				**163**	**-**
Postings between the GFB and AAAA	130		130				**130**			(130)			**(130)**	**-**
Net tfr to/(from) earmarked reserves	(3,226)	2,810	(417)	384	-	-	**(32)**	-	163	(130)	-	-	**32**	**-**
Increase/Decrease in the year	**113**	**2,810**	**2,923**	**384**	**(337)**	**17**	**2,988**	**856**	**(432)**	**(130)**	**-**	**(75,028)**	**(74,734)**	**(71,746)**
Bal at 31.3.21	**6,463**	**10,636**	**17,100**	**17,966**	**101**	**1,680**	**36,847**	**47,400**	**38,893**	**(941)**	**589**	**(887,704)**	**(801,763)**	**(764,915)**

Balance Sheet

SUMMARY	2020/21		2019/20
	LFRS		LFRS
	£000		£000
Property, plant & equipment	99,538		99,314
Intangible assets	639		859
Long-term investments	10,000		5,000
Total Long Term Assets	**110,177**		**105,172**
Inventories	279		238
Short term investments	5,000		5,000
Short term debtors	10,800		8,801
Cash & cash equivalents	22,603		27,922
Current Assets	**38,683**		**41,960**
Other short term liabilities	(452)		(417)
Short term creditors	(9,581)		(10,252)
Current Liabilities	**(10,034)**		**(10,668)**
Provisions	(1,536)		(1,580)
Long term borrowing	(2,000)		(2,000)
Other long term liabilities	(900,205)		(826,053)
Long Term Liabilities	**(903,740)**		**(829,633)**
TOTAL ASSETS LESS LIABILITIES	**(764,915)**		**(693,169)**
FINANCED BY:			
Revenue Reserves	(17,100)		(14,177)
Capital Funding Reserve	(17,967)		(17,583)
Capital grants unapplied	(101)		(438)
Usable Capital Receipts Reserve	(1,680)		(1,663)
Usable Reserves:	(36,848)		(33,861)
Revaluation Reserve	(47,400)		(46,544)
Capital Adjustment Account	(38,893)		(39,325)
Collection Fund Adjustment Account	(589)		(589)
Accumulated Absences Adjustment Account	941		811
Pensions Reserve	887,704		812,676
Unusable Reserves:	801,763		727,029
Total Net Worth	**764,915**		**693,169**

Cash Flow Statement

	2020/21		2019/20	
	£000		£000	
Net deficit on the provision of services		(13,249)		(17,618)
Adjustments to net deficit on the provision of services for non-cash movements		15,319		24,150
Adjustments to net deficit on the provision of services for investing/financing activities		1,318		1,255
Net cash inflows from operating activities		**3,388**		**7,786**
Investing activities				
Purchase of fixed assets & other capital spend	(1,972)		(3,068)	
Increase in long term deposits	(5,000)		-	
(Increase)/Decrease in short term deposits	-		10,000	
Receipts from investing activities	98		184	
		(6,874)		7,116
Financing activities				
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(417)		(384)	
Repayment of long term borrowing	-		-	
Payments for financing activities	(1,416)		(1,439)	
		(1,833)		(1,822)
Net increase or (decrease) in cash and cash equivalents		**(5,319)**		**13,080**
Cash and cash equivalents at the beginning of the reporting period		27,922		14,841
Cash and cash equivalents at the end of the reporting period		**22,603**		**27,922**

Appendix 6

Core statements without IAS19 pension fund accounting

Comprehensive Income and Expenditure Statement

Comprehensive Income & Expenditure Account - non IAS19	2020/21			2019/20		
	Gross Expenditure £000	Income £000	Net Expenditure £000	Gross Expenditure	Income	Net Expenditure
Continuing operations						
Service Delivery	39,438	(1,992)	37,447	41,389	(2,022)	39,366
Strategy & Planning	13,642	(823)	12,819	9,339	(489)	8,850
People & Development	1,398	(2)	1,396	1,419	0	1,419
Corporate Services	4,628	(58)	4,569	4,867	(60)	4,807
FF Pensions	1,307	(23)	1,285	1,310	(27)	1,283
Overheads	6,472	(5,014)	1,458	5,850	(4,930)	921
Net cost of services	**66,885**	**(7,912)**	**58,974**	**64,174**	**(7,528)**	**56,646**
Other operating expenditure						
(Gain)/Loss on disposal of fixed assets			(17)			(14)
Financing & investment income & expenditure						
Interest payable and similar charges			1,439			1,461
Interest and investment income			(253)			(332)
Taxation and non-specific grant income						
Council tax			(31,813)			(30,724)
Revenue support grant			(8,523)			-
Non-domestic rates redistribution			(15,757)			(23,930)
Non specific grant income:						
Capital grant			(253)			(417)
Business rates S31 grant			(1,284)			(1,654)
Business rates additional reliefs S31 grant			(1,925)			-
Covid relief S31 grant			(1,346)			-
(Surplus) / Deficit on provision of services			**(758)**			**1,037**
(Surplus)/Deficit on revaluation of fixed assets			(2,523)			(4,240)
Other comprehensive income & expenditure			**(2,523)**			**(4,240)**
Total Comprehensive Income and Expenditure			**(3,282)**			**(3,203)**

Movement in Reserves Statement

	Usable Reserves							Unusable Reserves						
	General Fund	Earmarked Reserves	Total General Fund Balance	Capital Fund	Capital grant unapplied	Usable Capital Receipts	**Usable Reserves**	Reval Reserve	CAA	AAAA	Coll Fund	Pension Reserve	**Unusable Reserves**	**Total reserves**
Bal at 1.4.20	6,350	7,827	14,177	17,582	438	1,663	**33,860**	46,544	39,325	(811)	589	-	**85,647**	**119,507**
Surplus/(Deficit) on provision of services	758		758				**758**						**-**	**758**
Other comprehensive income & expenditure			-				**-**	2,523				-	**2,523**	**2,523**
Total comprehensive income & expenditure	758	-	758	-	-	-	**758**	2,523	-	-	-	-	**2,523**	**3,282**
Adjustments between accounting basis and funding basis under regulations:														
Depreciation & impairment of non-current assets	4,953		4,953				**4,953**	(1,667)	(3,286)				**(4,953)**	**(0)**
Amortisation of intangible assets	221		221				**221**		(221)				**(221)**	**-**
Write off of assets disposed	(17)		(17)			17	**-**	-					**-**	**-**
Utilisation of capital grant unapplied	337		337		(337)		**-**		-				**-**	**-**
Amount by which the collection fund income in CI&E is different to the amount taken from the GFB	-		-				**-**				-		**-**	**-**
Statutory provision for the repayment of debt	(412)		(412)				**(412)**		412				**412**	**-**
Capital expenditure charged to the GFB	(2,491)		(2,491)				**(2,491)**		2,491				**2,491**	**-**
Voluntary provision for the repayment of debt	(10)		(10)				**(10)**		10				**10**	**-**
	2,582	-	2,582	-	(337)	17	**2,262**	(1,667)	(594)	-	-	(0)	**(2,262)**	**(0)**
Net increase/decrease before transfers to earmarked reserves	**3,340**	**-**	**3,340**	**-**	**(337)**	**17**	**3,020**	**856**	**(594)**	**-**	**-**	**(0)**	**262**	**3,282**
Tfr to/(from) earmarked reserves	(3,010)	3,010	-				**-**						**-**	**-**
Tfr to/(from) capital fund	(347)	(200)	(547)	384			**(163)**		163				**163**	**-**
Postings between the GFB and AAAA	130		130				**130**			(130)			**(130)**	**-**
Net tfr to/(from) earmarked reserves	(3,226)	2,810	(417)	384	-	-	**(32)**	-	163	(130)	-	-	**32**	**-**
Increase/Decrease in the year	**113**	**2,810**	**2,923**	**384**	**(337)**	**17**	**2,988**	**856**	**(432)**	**(130)**	**-**	**(0)**	**294**	**3,282**
Bal at 31.3.21	**6,463**	**10,636**	**17,100**	**17,966**	**101**	**1,680**	**36,847**	**47,400**	**38,893**	**(941)**	**589**	**(0)**	**85,941**	**122,788**

Balance Sheet

Balance Sheet Non IAS19	**2020/21**		**2019/20**
	LFRS		**LFRS**
	£000		**£000**
Property, plant & equipment	99,538		99,314
Intangible assets	639		859
Long-term investments	10,000		5,000
Total Long Term Assets	**110,177**		**105,172**
Inventories	279		238
Short term investments	5,000		5,000
Short term debtors	10,800		8,801
Cash & cash equivalents	22,603		27,922
Current Assets	**38,683**		**41,960**
Other short term liabilities	(452)		(417)
Short term creditors	(9,581)		(10,252)
Current Liabilities	**(10,034)**		**(10,668)**
Provisions	(1,536)		(1,580)
Long term borrowing	(2,000)		(2,000)
Other long term liabilities	(12,501)		(13,377)
Long Term Liabilities	**(16,037)**		**(16,957)**
TOTAL ASSETS LESS LIABILITIES	**122,789**		**119,507**
FINANCED BY:			
Revenue Reserves	(17,100)		(14,177)
Capital Funding Reserve	(17,967)		(17,583)
Capital grants unapplied	(101)		(438)
Usable Capital Receipts Reserve	(1,680)		(1,663)
Usable Reserves:	(36,848)		(33,861)
Revaluation Reserve	(47,400)		(46,544)
Capital Adjustment Account	(38,893)		(39,325)
Collection Fund Adjustment Account	(589)		(589)
Accumulated Absences Adjustment Account	941		811
Pensions Reserve			
Unusable Reserves:	(85,941)		(85,647)
Total Net Worth	**(122,789)**		**(119,507)**

Cashflow Statement

CASH FLOW STATEMENT Non IAS19				
	2020/21		2019/20	
	£000		£000	
Net deficit on the provision of services		758		(1,037)
Adjustments to net deficit on the provision of services for non-cash movements		1,312		7,569
Adjustments to net deficit on the provision of services for investing/financing activities		1,318		1,255
Net cash inflows from operating activities		**3,388**		**7,786**
Investing activities				
Purchase of fixed assets & other capital spend	(1,972)		(3,068)	
Increase in long term deposits	(5,000)		-	
(Increase)/Decrease in short term deposits	-		10,000	
Receipts from investing activities	98		184	
		(6,874)		7,116
Financing activities				
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(417)		(384)	
Repayment of long term borrowing	-		-	
Payments for financing activities	(1,416)		(1,439)	
		(1,833)		(1,822)
Net increase or (decrease) in cash and cash equivalents		**(5,319)**		**13,080**
Cash and cash equivalents at the beginning of the reporting period		27,922		14,841
Cash and cash equivalents at the end of the reporting period		**22,603**		**27,922**

LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE
Meeting to be held on 7 July 2021

FINANCIAL MONITORING 2021/22
(Appendices 1 and 2 refer)

Contact for further information:
Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

The report provides an update on several matters which may affect the outturn position for the 2021/22 revenue budget, and in addition sets out the current budget position in respect of the 2020/21 revenue and capital budgets and performance against savings targets.

Recommendation

The Committee are requested to:

- note the uncertainties surrounding the Business Rates relief and Local Tax Income Guarantee grants;
- note the effect of the 1.5% pay award for grey book personnel;
- note the potential effect of the 1.5% pay award offered to support staff; and
- note and endorse the financial position.

Information

Section 31 Grant in respect of Business Rates Relief

As Members are aware, part of the Authority's funding comes from business rates in the form of a locally retained share and a top-up grant. As reported elsewhere on the agenda, the 2021/22 revenue budget assumed the receipt of £1.9m S31 grant for additional reliefs in respect of items such as retail, nursery and newspapers, announced prior to the 2021/22 budget setting exercise, to offset the shortfall carried forwards on the business rate collection fund. This grant is anticipated to be received later in the financial year after the completion of the Business Rates 2020/21 year end returns are submitted by billing authorities and reconciled by central government, most likely in Q4 2021/22. As the grant directly relates to the year end returns, the amount is still not certain. Members will be updated in due course.

Local Tax Income Guarantee scheme

The government also announced proposals to support billing authorities by providing an additional grant equivalent to 75% of the shortfall in collection rates, for both Council Tax and Business Rates, during 2020/21. When the 2021/22 budget was set, billing authorities were unable to reliably estimate the grant due to the Authority, therefore this sum was excluded from the budget setting process, as reported to the Authority.

As the shortfalls can only be calculated as part of the billing authority collection fund outturn reporting, we are currently expecting the results to be available during July 2021. In early June the Ministry for Housing, Communities & Local Government (MHCLG) confirmed that we would receive an 'on account' payment of the sum of £0.074m for Business Rates, being 50% of their estimate of our entitlement under this guarantee scheme. The corresponding estimate for Council tax was nil. Once we have received the information from billing authorities to enable us to verify this we will update members.

Pay awards 2021/22

Members may recall that in line with Government's November 2020 stance on future public sector pay restraint, a pay freeze across all groups of staff was assumed for the 2021/22 budget for anyone earning over £24,000 per year. Subsequently pay offers of 1.5% have been made to all staff groups (support staff effective from 1 April, and operational staff effective from 1 July), the operational staff offer was agreed on 28 June, resulting in an increase in cost of £436k across wholetime and on-call pay budget.

It would be prudent to assume that the support staff offer will be the minimum increase applied in the year, a further £104k budgetary increase.

Wholetime Staffing

In setting the wholetime pay budget a number of assumptions are made around the timing of retirements and how many staff will retire ahead of their forecast retirement date. We updated the forecasts for the 2021/22 budget, which assumed that all personnel would retire once accruing full benefits, and that there would be 6 'early leavers' during the year (this includes retirements from future years forecasts, resignations and dismissals). The uncertainty surrounding changes to pensions, as highlighted in the Pension Update report, makes forecasting early retirements extremely difficult, hence at the time of setting the budget we highlighted that "actual retirements may vary from this due to the impact of either the transitional pension arrangements or making allowances pensionable, which may increase early leavers leading to a higher vacancy factor".

This has proven to be the case, with a large number of wholetime retirements in the first two months of the year, largely due to the anniversary of the DCP allowances being made pensionable (the Firefighters pension scheme rules state that after 12 months contributions, retirement benefits for 1992 scheme members are calculated based on final salary including the DCP allowances). Within this period there were 9 early leavers, this being in addition to higher leaver in quarter 4 last year compared to the budgeted allowance. Overall this means that at the end of May we had 13 fewer wholetime members of staff the budgeted, resulting in an underspend of circa £50k against budgeted establishment levels. It is too early to determine whether this trend will continue thought the year, but to put some financial context around this 13 vacancies throughout the year equates to approx. £500k underspend.

It is also worth highlighting that the wholetime budget anticipated two recruits cohorts during the year, with 48 recruits in total, however current numbers only allow for 38 recruits in-year, with a subsequent increase in recruit numbers in 22/23 to compensate. This in-year shortfall resulting in an underspend of approx. £200k.

As such the anticipated underspend will more than offset the unfunded pay award in year.

<u>Revenue Budget</u>

The overall position at the end of May is an underspend of £0.2m, largely as a result of the wholetime early leavers as reported above, along with underspends reflecting continued vacant support staff posts and reduced activity levels, such as smoke detectors. It is still too early in the financial year to produce a forecast of the outturn position, however we will carry this out prior to the next meeting and include in the next financial monitoring report.

The year to date positions within individual departments are set out in Appendix 1, with major variances relating to non-pay spends and variances on the pay budget being shown separately as usual in the table below: -

Area	Overspend/ (Under spend)	Reason
	£'000	
Service Delivery	(20)	The underspend for both the first two months largely relates to the reduced activity levels, in particular for car allowances and smoke detector purchases, as was the case last financial year.
Covid-19	-	We have now received total funding of £1.6m since March 2020, having received an additional £0.2m during May 2021. We have spent £1.4m to date, with the balance being held in an earmarked reserve. The spend to date is as follows: • Additional staff costs £375k • Additional cleaning £55k • Consumable items (e.g. sanitiser) £174k • Remote working and video conferencing equipment £181k • PPE £663k It is expected that any further costs associated with the ongoing pandemic, such as enhanced cleaning, additional staff costs etc. will be met from this fund. In addition, we propose to transfer £10k per month from travel budgets into the Covid-19 reserve in relation to the reduced use of vehicles during the pandemic, in line with the previous years treatment. This will be reviewed as the year progresses and activities return to normal.
Property	(19)	Whilst non-essential maintenance was re-instated prior to the end of the last financial year, departmental capacity due to a vacant surveyor post, and the

		ongoing situation means that there is an underspend to date. This situation is expected to rectify once the department is fully staffed.
Non DFM	42	The majority of the overspend reflects the £0.3m funding gap identified at the time of setting the budget in February.
Wholetime Pay	(111)	As reported above, there have been several early leavers during the first two months, in excess of the number expected in the budget which cause an underspend. In addition to this, there are some timing issues in terms of claims for overtime etc., which are particularly relevant in April, whereby we fully accrue for outstanding claims as part of the year end process but where there can be a delay in personnel submitting claims for these.
On Call Pay	20	This overspend relates to slightly higher activity related payments in the first two months than expected.
Associate Trainers pay	12	Associate trainers are used during wholetime recruitment to provide greater flexibility to match resource to demand. As the budget is currently phased evenly over the year, this creates timing differences, which in this case have resulted in a marginal overspend.
Support staff (less agency staff)	(70)	The underspend relates to several vacant posts across various departments, which are in excess of the vacancy factor built into the budget. This is partly offset by spend on agency staff, which amounted to £8k in the period. Although recruitment activity has now recommenced, due to the backlog caused by the cessation, it is unknown when some of these posts might be filled. Member will be provided with an update in the next report, which will include forecasts for the rest of the financial year. No allowance for the potential additional costs associated with the support service pay offer (referred to earlier) have been included at this stage, as the offer has not been accepted.
Apprentice Levy	(4)	The apprentice levy is payable at 0.5% of each months payroll costs, the budget for this was set at anticipated establishment levels, hence the underspend against this budget reflects the various pay budget underspends reported above.

We continue to monitor spend against the 2021/22 budget closely, to identify any vacancy trends that develop to ensure that they are reflected in future year’s budgets, as well as being reported to Committee.

Capital Budget

As reported elsewhere on the agenda, the capital budget for 2021/22 stands at £10.5m. There has been very little spend against the resultant 2020/21 programme, just £0.7m, mainly against Property projects. Given the amount of the budget and the spend to date, it is clear there will be significant slippage (note this is simply a timing of spend between financial years rather than underspends). We will discuss this position with the relevant budget holders and the next report will identify the amount to be moved into 2022/23, including the reasons for the proposals.

The current position against the programme is set out below, with further details in Appendix 2: -

Pumping Appliances	The budget allows for 7 replacement pumping appliances spread across the 2019/20 to 2021/22 capital programmes, for which the specification is being reviewed following delivery of the previous 7 vehicles in the latter part of the previous financial year. We currently anticipate starting a procurement exercise in the second half of the financial year.
Other vehicles	This budget allows for the replacement of various operational support vehicles, the most significant of which are: • Two Command Support Units (CSU); • Two Water Towers; • One Turn Table Ladder (TTL); • One all-terrain vehicle As reported elsewhere on the agenda, differing procurement routes are being considered for each of these, and we plan to use national frameworks where appropriate. In addition to these, the budget allows for various support vehicles which are reviewed prior to replacement but are being progressed with several on order.
Operational Equipment/Future Firefighting	This budget allows for • completion of the kitting out of three reserve pumping appliances, which is almost complete; • the progression of CCTV on pumping appliances; • replacement of capital items from the equipment replacement plan, namely light portable pumps, defibrillators and a replacement drone. Again, where appropriate, we intend to make use of existing procurement frameworks to progress these once specifications are completed.
Building Modifications	This budget allows for: • Provision of a new workshop, BA Recovery and Trainer facility at STC. Spend during the period was

	£0.6m. Work is expected to be completed within the budget in October 2021; • South Shore refurbishment and extension has had a small amount of spend reflecting work completed in the new financial year. This project is now complete; • Enhanced facilities at Blackpool and Hyndburn fire stations, which are under review prior to moving to the procurement phase; • £0.3m budgetary provision for replacement drill towers; • £0.2m in relation to fees associated with progressing the business case for a SHQ relocation. As with the revenue budget, current departmental capacity to progress these is limited, but is expected to improve in the next few months.
IT systems	The majority of the capital budget relates to the national Emergency Services Mobile Communications Project (ESMCP), to replace the Airwave wide area radio system and the replacement of the station end mobilising system. The ESMCP project budget, £1.0m, is offset by anticipated grant, however the timing of both expenditure and grant is dependent upon progress against the national project. This national project has suffered lengthy delays to date, hence is included within slippage into the next financial year. The balance of the budget relates to the replacement of various systems and ICT hardware, in line with the ICT asset management plan. Whilst initial scoping work is on-going to facilitate the replacement of some of these systems in the current year, we are still reviewing the need to replace others.

The committed costs to date will be met by revenue contributions.

Delivery against savings targets

The following table sets out the savings targets identified during the budget setting process, hence removed from the 2021/22 budget, and performance to date against this target: -

	Annual Target	Target at end of May	Savings at end of May
	£m	£m	£m
Staffing, including post reductions plus management of vacancies	0.058	0.010	0.164

Reduction in the vehicle R&M budget in line with contract management	0.095	0.016	0.024
Procurement savings	-	-	0.013
Balance – cash limiting previously underspent non pay budgets	0.026	0.004	0.004
Total	0.179	0.030	0.205

The performance to date is already ahead of the annual target, largely due to staffing vacancies and Procurement savings. It is anticipated that we will meet our savings target for the financial year.

Financial Implications

As outlined in the report

Business Risk Implications

None

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	**Date**	**Contact**
None		
Reason for inclusion in Part II, if appropriate:		

Appendix 1

BUDGET MONITORING STATEMENT MAY 2021	Total Budget	Budgeted Spend to May 2021	Actual Spend to May 2021	Variance O/Spend (U/Spend)	Variance Pay	Variance Non-Pay
	£000	£000	£000	£000	£000	£000
Service Delivery						
Service Delivery	34,862	6,598	6,563	(36)	(15)	(20)
Protection Transformation	2,853	375	312	(64)	(63)	(1)
Covid-19	-	(0)	0	0	-	0
Control	1,298	1,298	1,298	0	-	0
Youth Engagement (inc PTV)	22	137	136	(0)	-	(0)
Special Projects	13	2	0	(2)	-	(2)
Strategy & Planning						
Service Development	1,419	258	252	(7)	(6)	(1)
Training & Operational Review	4,138	892	855	(37)	(29)	(7)
Fleet & Technical Services	2,711	589	594	5	1	4
Information Technology	2,671	772	758	(14)	(5)	(9)
Digital Transformation	347	58	45	(13)	(13)	-
People & Development						
Human Resources	731	132	146	13	12	2
Occupational Health Unit	244	39	31	(8)	(1)	(7)
Corporate Communications	337	56	50	(5)	(2)	(3)
Safety Health & Environment	242	36	35	(1)	1	(2)
Corporate Services						
Executive Board	1,039	211	217	6	2	3
Central Admin Office	828	139	114	(25)	(22)	(3)
Finance	148	25	25	0	(0)	1
Procurement	959	299	287	(12)	(5)	(7)
Property	2,079	401	376	(25)	(5)	(19)
External Funding	-	10	3	(6)	(0)	(6)
Pay	-	-	-	-	-	-
TOTAL DFM EXPENDITURE	**56,938**	**12,326**	**12,098**	**(228)**	**(152)**	**(76)**
Non DFM Expenditure						
Pensions Expenditure	1,287	481	460	(21)	-	(21)
Other Non-DFM Expenditure	(50)	779	819	40	(2)	42
NON-DFM EXPENDITURE	**1,237**	**1,260**	**1,279**	**19**	**(2)**	**21**
TOTAL BUDGET	**58,175**	**13,586**	**13,377**	**(209)**	**(154)**	**(55)**

Appendix 2

CAPITAL BUDGET 2021/22	**Revised Programme**	**Committed Exp**
Vehicles		
Pumping Appliance	1.490	-
Other Vehicles	3.036	0.066
	4.526	0.066
Operational Equipment		
Operational Equipment	0.429	-
	0.429	-
Buildings Modifications		
STC Workshop	2.741	0.567
Enhanced station facilities	0.370	0.022
Drill tower replacements	0.300	-
SHQ Relocation	0.150	-
	3.561	0.590
ICT		
IT Systems	2.005	-
	2.005	-
Total Capital Requirement	**10.521**	**0.656**
Funding		
Capital Grant	1.000	-
Revenue Contributions	2.250	0.656
Earmarked Reserves	-	-
Capital Reserves	7.271	-
Total Capital Funding	**10.521**	**0.656**

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Agenda Item 16

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