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LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE

Wednesday, 6 July 2022 in Main Conference Room, Service Headquarters, Fulwood 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
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.	YEAR END TREASURY MANAGEMENT OUTTURN (Pages 11 - 16)
5.	YEAR END CAPITAL OUTTURN (Pages 17 - 24)
6.	YEAR END REVENUE OUTTURN (Pages 25 - 30)
7.	YEAR END USABLE RESERVES AND PROVISIONS OUTTURN (Pages 31 - 40)
8.	FINANCIAL MONITORING (Pages 41 - 46)
9.	DATE AND TIME OF NEXT MEETING The next scheduled meeting of the Committee has been agreed for 10:00 hours on 28 September 2022 in the Main Conference Room, at Lancashire Fire & Rescue Service Headquarters, Fulwood. Further meetings are: scheduled for 30 November 2022, 29 March 2023 proposed for 10 July 2023

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10.	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.
11.	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	
12.	GREEN BOOK SUPPORT STAFF SUSTAINABILITY UPDATE (Paragraph 3 and 4) Verbal report.
13.	PENSIONS UPDATE (Pages 47 - 54) (Paragraphs 4 and 5)
14.	IDRP - STAGE 2 (Pages 55 - 118) (Paragraphs 1, 4 and 5)
15.	HIGH VALUE PROCUREMENT PROJECTS (Pages 119 - 126) (Paragraph 3)
16.	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, 30 March 2022, at 10.00 am in Washington Hall, Service Training Centre, Euxton.

MINUTES

PRESENT:

Councillors

T Williams (Chairman)
D O'Toole (Vice-Chair)
L Beavers
K Iddon
H Khan (for M Pattison)
G Mirfin
S Serridge
R Woollam

Officers

J Johnston, Chief Fire Officer (LFRS)
S Healey, Deputy Chief Fire Officer (LFRS)
K Mattinson, Director of Corporate Services (LFRS)
B Warren, Director of People and Development (LFRS)
R Stone, Head of Digital Transformation (LFRS)
D Brooks, Principal Member Services Officer (LFRS)
L Barr, Member Services Officer (LFRS)

41-20/21 APOLOGIES FOR ABSENCE

Apologies were received from County Councillors J Mein, C Morris and M Pattison.

42-20/21 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

43-20/21 MINUTES OF THE PREVIOUS MEETING

RESOLVED: - That the Minutes of the last meeting held on 1 December 2021 be confirmed as a correct record and signed by the Chairman.

44-20/21 FINANCIAL MONITORING

The Director of Corporate Services presented the report which set out the current budget position in respect of the 2021/22 revenue and capital budgets and performance against savings targets.

The overall position at the end of January was an underspend of £0.3m, with a forecast outturn position of an underspend of £0.2m. Both were a combination of the level of staffing vacancies, the slow return to business-as-usual spending activities, less the funding gap identified at budget setting and the unbudgeted pay awards.

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: -

<table>
<tr><td>Area</td><td colspan="2">Overspend/
(Under spend)</td><td>Reason</td></tr>
<tr><td></td><td>31 Jan 2022</td><td>Forecast</td><td></td></tr>
<tr><td></td><td>£’000</td><td></td><td></td></tr>
<tr><td>Service Delivery</td><td>(130)</td><td>(153)</td><td>The underspend to the end of January and the year-end forecast both largely related to the reduced activity levels in the following areas:
• Smoke detectors, in addition recent difficulties in the supply chain for smoke alarms were partially resolved, however a potential increase in costs had been identified which may impact final spend in year;
• Travel budgets, which were significantly underspent, it was expected that changing working practices for non-operational staff would mean reduced usage in the future therefore we had reflected this reduction in next years’ budget</td></tr>
<tr><td>Covid-19</td><td>-</td><td>-</td><td>We had received total funding of £1.6m since March 2020. In addition, as previously reported, we had transferred £0.2m of travel/mileage budgets into this reserve to reflect savings in respect of differing working practices during the pandemic, resulting in total funding of £1.8m.
As at the end of January we had fully utilised the £1.8m, as follows:
• Additional staff costs £0.6m
• Additional cleaning £0.1m
• Consumable items £0.2m
• Remote working and video conferencing equipment £0.2m
• PPE £0.7m</td></tr>
</table>

			• Total £1.8m
TOR	(186)	(164)	As previously reported, the current and forecast underspend largely related to the position with apprentice levy income for wholetime recruits. At the time of setting the budget it was anticipated that the recruit numbers would fully utilise the balance in the levy account, therefore the income budget was set at £0.2m. During the year, levy drawdown forecasts had been updated as follows: • Following a nationwide review of the wholetime fire-fighter apprenticeship programme, which LFRS participated in, the government apprentice levy setting body agreed an uplift to the funding for each apprentice starting after January 2021 from £12k to £14k over the 24 month apprenticeship, resulting in additional income circa £46k in 2021/22; • levy account shortfalls would be met by 95% funding (known as co-investment) from the Government, which meant we would benefit from £163k additional levy income in the financial year. We had reflected the revised assumptions in next years' budget. TOR had been catching up on training during the year and spend on external training was currently in line with budget.
Property	(227)	(203)	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 meant there was an underspend to date. The post was filled from the start of November, and the outturn forecast assumed that there would be some further catch up spend for the final few months, slightly reducing the current level of underspend.
Non DFM	595	654	Both the year to date and outturn overspend position reflected: • the £0.3m funding gap identified at the time of setting the budget in February 2021

			• additional RCCO approved during the year as previously reported • the transfer of £0.5m into the PFI earmarked reserve, as set out in the reserves and balances report at the CFA meeting in February, net of the PFI re-financing gain of £0.2m. • note we were still assuming that the existing £2.4m pension accrual, set aside in previous years, would be sufficient to meet any costs associated with the changes to the pensionability of allowances.
Wholetime Pay (including associate trainer costs)	191	140	As previously reported there had been significantly more early leavers than allowed for in the budget. At the end of January we had 27 fewer wholetime members of staff than budgeted. In addition, as previously reported, there was a shortfall in recruit numbers this year, with 35 recruits compared with a budgeted 48, These resulted in an anticipated underspend of approx. £0.6m at the end of March. Broadly speaking these were offset by:- • the unbudgeted grey book pay award of 1.5%, at a cost of £0.4m, as previously reported. • Continued increased overtime costs, associated with covering vacancies and staff absences. The net of all the above factors was the forecast overspend of £0.1m.
On Call Pay	(128)	(118)	The position within On-call staffing was underspent, with the unbudgeted pay award being more than offset by higher staff vacancies and lower ad hoc payments than budgeted.
Support staff (less agency staff)	(308)	(259)	The underspend related to vacant posts across various departments, circa 12% of the establishment in early February, far in excess of the 3.75% vacancy factor built into the budget. This was partly offset by spend on agency staff. As previously reported, the labour market remained extremely challenging, and we were experiencing difficulties in filling

			posts. As such we anticipated the high level of vacancies continuing until year end. This would be partly offset by the pay award for green book staff, which was agreed at the end of February at 1.75% and would be paid in March salary, which had been reflected in the forecast outturn position.
Apprentice Levy	(16)	(23)	The apprentice levy was 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 reflected the various pay budget underspends reported above.

It was noted that significant cost increases across various supply chains were being seen, and in particular in construction projects which may affect the final outturn expenditure levels. This would continue to be monitored, and other trends, to ensure that they were reflected in future year's budgets, as well as being reported to Resources Committee.

Grant Funding
The Authority received specific grants from the Government in respect of various new initiatives. These were included in the revenue budget position but were shown separately in the report. The forecast outturn assumed that all grant was spent in year, but any that was not would be carried forward as an earmarked reserve to use in the new year.

Capital Budget
The approved capital budget for 2021/22 stood at £4.5m. To date £3.3m of the programme had been committed, with an anticipated year end spend of £3.5m, as set out below: -

	Spend to 31 January	Forecast to 31 March	
	£m	£m	
Other vehicles	0.3	0.3	This budget allowed for the replacement of various operational support vehicles. Whilst some of the operational support vehicles had been ordered and delivered, we were still progressing the purchase of 9 operational support vehicles and 2 PODs, hence the slippage of £0.3m as shown in appendix 2.
Operational Equipment /	0.1	0.1	This budget allowed for • replacement of capital items

Future Firefighting			from the equipment replacement plan, namely defibrillators and a replacement drone which had been delivered • replacement of light portable pumps which had been ordered and would be delivered in April 2022, resulting in slippage of £0.1m • progression of CCTV on pumping appliances, where we were proposing trialling this in the first instance with an initial budget of £0.1 the trial had not yet begun and would result in the budget being slipped into 2022/23
Building Modifications	2.8	3.0	This budget allowed for: • Provision of a new workshop, BA Recovery and Trainer facility at STC. Committed spend to date was £2.7m. Work had been completed and the building was handed over to the Authority at the end of October 2021. • Enhanced station facilities comprising the final payment in respect of South Shore refurbishment and extension, and changes at Hyndburn fire station, where final designs were being reviewed prior to moving to the procurement phase, but where £0.1m budget would slip into 2022/23; • Replacement drill towers where spend to date of £0.1m related to various site investigation works and planning applications; • Fees associated with progressing the business case for a SHQ relocation, £0.2m, which would slip into 2022/23. As with the revenue budget, current departmental capacity to progress these was previously limited, hence the slippage indicated above and

			detailed in Appendix 2.
IT systems	0.1	0.1	The budget related to the replacement of various systems and ICT hardware, in line with the ICT asset management plan. Spend in year related to replacement hardware (Vehicle Mounted Data Systems). The balance of slippage related to various items of hardware, where we were experiencing a shortage of raw materials and expected deliveries to take place in the new financial year, resulting in slippage of £0.2m.
Total	3.3	3.5	

The committed costs to date would be met by revenue contributions (£2.4m) and capital reserves (£0.9m). With the remaining in year spend being funded from a further £0.2m use of capital reserves.

Significant cost increases continued to be seen across various supply chains, and in particular in construction projects which may affect some of the capital projects as they progressed through the procurement stage. In addition, shortages of raw materials were more frequently being cited as reasons for delays in delivery of goods ordered, which had led to higher slippage in some instances than originally anticipated.

Delivery against savings targets
The performance to date was already ahead of the annual target, largely due to staffing vacancies plus savings on the procurement of several vehicles.

RESOLVED: - That the Committee noted and endorsed the financial position.

45-20/21 DIGITAL STRATEGY

The Deputy Chief Fire Officer presented the Digital Strategy 2022 – 2027. This was an enabling document that supported other strategies for Prevention, Protection, Response, People and Finance which all underpinned the Community Risk Management Plan (CRMP).

The Deputy Chief Fire Officer drew Members' attention to page 32 of the agenda pack which set out the Service's key principles (these would support the delivery of a digital Fire and Rescue Service through our culture and provide the best services to our communities); page 36 set out 7 key digital themes (to help deliver the strategy over the next 5 years) and page 41 set out how the strategy aligned with the other major strategies to support the delivery of the CRMP.

The Deputy Chief Fire Officer introduced Roger Stone, Head of Digital Transformation who gave a presentation on the digital approach to the delivery of the strategy.

The Head of Digital Transformation advised that the Service's published key strategies had been analysed and digital horizon scanning undertaken to develop the strategy. Seven key themes had been identified. These focussed on automation and efficiencies and aligned with the other key strategies, with security inherently built into the solutions. The Government's directive was 'digital by default, cloud first' and the Service was therefore largely aligning itself to that. The 'cloud' was an off-site solution that was a lot bigger, better, and resilient with more security, control and investment. This helped the Service to capitalise on trillions of dollars of investment that cloud organisations put into their systems in terms of security, collaboration and accessibility. He confirmed that the Service focused on European and UK territories and with GDPR regulations data was hosted on UK shores.

The Head of Digital Transformation advised that there were over 40 digital transformation projects ongoing with only a relatively small team. The team was made up of a Digital Transformation Team (a team of professionals who worked on custom integration with 3rd party solutions), Delivery Partners (provided external expertise) and Business Developers. This role was a key element as a lot of the strategy focussed on self-service which aimed to empower our workforce to generate the solutions themselves. A video example was shown of the business fires safety check mobile app which had been developed (with tools available to the workforce) to turn a paper form into a digital one. In addition, one of the key things the Service was doing was trying to make all its data accessible centrally.

In response to a question raised by County Councillor Woollam regarding whether the Service's security systems were adequately protected and up-to-date, the Head of Digital Transformation reassured Members that there was a dedicated security team that looked after 'on premises' and 'cloud' security models. He advised that the Service took advice from the National Cyber Security Centre and the Home Office. Guidance and advice had been provided on how to minimise increasing threats from certain territories and globally. Weekly security meetings were held to discuss those threats and the Service's response to them. The Service policy was to lock systems down first and were therefore probably tighter than most. The beauty of the cloud model was the level of investment in those security layers.

County Councillor Mirfin congratulated the Head of Digital Transformation on the report. He supported the use of a self-serve environment. Based on his experience, he did not want the Service to underestimate the resources needed to craft this type of environment including the costs this would involve in terms of training others to best use the system going forward.

Councillor Williams queried the level of safety with the cloud model as it was an international platform with common access; he also queried whether the Service had any experience of anyone attempting to hack into its systems. In response, the Head of Digital Transformation advised that the Service had explored this in detail with its platinum partner who had been recommended by Microsoft. Virtual tours of its data centres were provided alongside detailed explanations of the security measures taken. Trillions of dollars had been invested with security taken very seriously given this was a critical risk to their business. If they did suffer a vulnerability and were exploited, it would be a massive dent in their reputation. With any connection to the internet there was an inherent vulnerability. The only way to properly secure a system was to turn it off or disconnect it from an external network but that was impractical. Therefore, there was a need to find a balance between usability and security. This was done by making sure data in the cloud was restricted to our own network. Additional security was through setting a virtual perimeter, known as geo-fencing the data together with multiple layers of security on our own sites and the cloud. The Service also vociferously monitored security and had not been hacked but was aware of external scanning of ports which provided a steer for protection. This did happen on a regular basis (as with most other organisations).

RESOLVED: - That the Committee noted and endorsed the report and strategy.

46-20/21 DATE AND TIME OF NEXT MEETING

The next meeting of the Committee would be held on Wednesday, 6 July 2022 at 1000 hours in Washington Hall, Service Training Centre, Euxton.

Further meeting dates were noted for 28 September 2022 and 30 November 2022 and agreed for 29 March 2023.

47-20/21 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.

48-20/21 PFI CONTRACT - OUTCOME OF RE-FINANCING OF THE SENIOR DEBT

(Paragraph 3)

Members considered a report that outlined the outcome of re-financing of the senior debt within the PFI contract.

RESOLVED: - That the recommendation be noted.

49-20/21 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 and endorsed the report.

50-20/21 TRADE UNION RECOGNITION ARRANGEMENTS

(Paragraph 4)

The Director of People and Development provided a verbal update on the arrangement for the recognition of trade unions. It was noted that a report would be presented to the next full Authority meeting in April.

RESOLVED: - That the report be noted.

51-20/21 PENSIONS UPDATE

(Paragraphs 4 and 5)

Members considered an update report on the current position regarding pension schemes that applied to the uniformed members of the Fire Sector.

RESOLVED: - That the recommendation be noted.

52-20/21 INTERNAL DISPUTES RESOLUTION PROCEDURE - STAGE 2

(Paragraph 1)

Members considered a report from the Director of People and Development regarding a Stage 2 application under the Internal Disputes Resolution Procedure. He explained the procedure to Members and the report outlined the facts of the case.

RESOLVED:- That the Committee declined the application.

M NOLAN
Clerk to CFA

LFRS HQ
Fulwood

Lancashire Combined Fire Authority
Resources Committee

Meeting to be held on 06 July 2022

Year End Treasury Management Outturn 2021/22

Contact for further information: Keith Mattinson - Director of Corporate Services
Tel: 01772 866804

Table 1 Executive Summary and Recommendations

Executive Summary

The report sets out the Authority's borrowing and lending activities during 2021/22. All treasury activities undertaken throughout the year are in accordance with the Treasury Management Strategy 2021/22

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.

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

There were a number of key economic issues in 2021/22. Initially, the continuing economic recovery from coronavirus pandemic was a dominant feature but as the year progressed concerns about inflation, the potential for higher interest rates and possibility of a future recession were major issues.

The Bank Rate was 0.1% at the beginning of the financial year. Although April and May saw the economy gathering momentum as pandemic restrictions were eased, market expectations were that the Bank of England would delay rate rises until 2022. However, the rise in inflation changed the position and saw the Bank Rate increase the rate late in 2021.

UK Consumer Prices Index (CPI) was 0.7% in March 2021 but thereafter began to steadily increase. Initially driven by energy price effects and by inflation in sectors such as retail and hospitality which were re-opening after the pandemic lockdowns, inflation then was believed to be temporary. However, a combination of rising global costs, strong demand and supply shortages saw large increases in inflation. CPI for February 2022 registered 6.2% year on year, up from 5.5% in the previous month.

As a response to the increase in inflation the Bank of England made the following increases in the Bank Rate:

- December 2021 increase to 0.25%
- February 2022 increase to 0.5%
- March 2022 increase to 0.75%

In its March interest rate announcement, the MPC noted that the invasion of Ukraine had caused further large increases in energy and other commodity prices, with the expectation that the conflict will worsen supply chain disruptions around the world and push CPI inflation to around 8% later in 2022.

The picture seen in the UK was seen in many of the world economies. Both the euro zone and the US have seen increases in inflation and in its March 2022 interest rate announcement, the Federal Reserve raised the Fed Funds rate to between 0.25% and 0.50% and outlined further increases should be expected in the coming months.

The continuing uncertainty has seen gilt yields increase. The costs of authorities borrowing from the Public Loans Work Board are related to the bond yields and therefore the cost of borrowing has increased. For example, for a 10-year PWLB fixed rate loan taken on the 1 April 2021 was at interest rate of 1.7%. An equivalent loan taken on 31 March 2022 was at 2.81%.

Borrowing

The borrowing of the Fire Authority has remained unchanged at £2m. The existing loans were taken out with the Public Loans Works Board (PWLB) in 2007 when the base rate was 5.75%. The maturity and interest rate of the Authority's borrowing is:

Table 2 Summary of Borrowing

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%.

The current approved 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. The penalty fluctuates with PWLB repayment rates but during the year it was estimated that the penalty would be £0.9m. Also, any early repayment means that cash balances available for investment will be reduced and hence interest receivable will also be reduced. 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.

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 £46.7m and the lowest £30.8m. For the monies invested with Lancashire County Council the range was £36.7m to £17.6m.

By placing monies in longer term fixed rate investments it is anticipated a higher level of interest will be earned. However, having fixed term deals does reduce the liquidity of the investments and therefore their use is limited. At the year-end fixed investments of £15m were in place. During the year one fixed term investments had matured and one new investment was made. The table below shows the interest earned on fixed term investments in 2021/22:

Table 3 Summary of Fixed Term Investments

Start Date	End Date	Principal	Rate	Interest in 2021/22
10/12/201	10/06/202	£5,000,00	1.20%	£11,506
20/04/202	20/04/202	£5,000,00	1.45%	£72,500
24/04/202	25/04/202	£5,000,00	1.45%	£72,500
21/03/202	21/03/202	£5,000,00	1.50%	£2,260

The call account provided by Lancashire County Council paid the base rate throughout 2021/21. 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 £25.8m earning interest of £0.047m.

The overall interest earned during this period was £0.205m at a rate of 0.56% which compares favourably with the benchmark 7 day index (Sterling Overnight rate 7 day rate) which averages 0.20% 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 2021/22 are shown in the table below alongside the actual outturn position.

Table 4 Prudential Indicators

	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	13,000
Total	36,000	15,000
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	13,000
Total	20,000	15,000
Upper limit for fixed interest rate exposure		
Borrowing	100%	100%
Investments	100%	46%
Upper limit for variable rate exposure		
Borrowing	25%	0%
Investments	100%	54%
Upper limit for total principal sums invested for over 365 days (per maturity date)	25.000	5.000
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:-

Table 5 Summary of Financing Costs

	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	(0.136)	(0.205)	Largely due increase in call account rate for the last quarter of the financial year
Minimum Revenue Provision re PWLB loans	0.010	0.010	
Net financing income from Treasury Management activities*	(0.036)	(0.105)	

* 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:
Reason for inclusion in Part 2 if appropriate: N/A

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Lancashire Combined Fire Authority
Resources Committee
Meeting to be held on 06 July 2022

Year End Capital Outturn 2021/22
(Appendices 1 and 2 refer)

Contact for further information: Keith Mattinson - Director of Corporate Services
Tel: 01772 866804

Table 1 Executive Summary and Recommendations

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 2021/22 capital programme into the 2022/23 programme.

Recommendation

The Committee is asked to: -

- note the capital outturn position and the financing of capital expenditure 2021/22;
- approve the revised 2022/23 capital programme and the financing of this;
- delegate approval to the Treasurer to increase the capital programme in respect of Flexi Duty Officer cars up to a maximum of 3 additional vehicles in any one year, such approval to be retrospectively reported to the Committee.

Information

The final capital programme for 2021/22 was £4.451m. Total capital expenditure for the year was £3.350m, reflecting £1.083m of slippage and an underspend of £18k, as set out in the table below, and in appendix 1.

Table 2 Details of capital spend during the year

Area of Spend	21/22 Budget	Actual Expendi-ture	Slipp-age	(Under) / Overspend	Explanation
	£m	£m	£m	£m	
Operational Vehicles	0.206	0.136	0.055	(0.015)	Expenditure in year reflects the purchase of two Hagglund all-terrain vehicles. Slippage relates to the purchase of 2 new PODs, which will now be purchased in 22/23.
Support Vehicles	0.400	0.199	0.225	0.024	Approximately 50% of planned purchases took place in 21/22, which reflects some of the challenges in the market at the present time, with

					most manufacturers quoting long lead times due to the shortage of micro- chips. It is also worth noting that we have seen significant increases in the cost of vehicles in year and hence we have re-evaluated next year's capital requirements to take account of current market conditions, and the increase in the number of vehicles for officers, who have elected to move to a provided car option.
Operational Equipment	0.329	0.095	(0.200)	(0.034)	In year expenditure relates to the purchase of new defibrillators and a replacement drone. Slippage comprises: • replacement of light portable pumps which have been ordered and will be delivered in April 2022, resulting in slippage of £0.1m • progression of CCTV on pumping appliances, where we are proposing trialling this in the first instance with an initial budget of £0.1. The trial has not yet begun hence the budget slipping into 2022/23.
Buildings	3.266	2.865	(0.408)	0.007	In year expenditure relates to: • Provision of a new workshop, BA Recovery and Trainer facility at STC. Committed spend to date is £2.7m. Work has been completed and the building was handed over to the Authority at the end of October 2021. • The final payment in respect of South Shore refurbishment and extension; • Replacement drill towers where spend to date of £0.1m relates to various site investigation works and planning applications; Slippage comprises: • £0.1m for improvements to welfare facilities at Hyndburn Fire Station, where final designs have been agreed and a contract has now been let; • £0.1m relating to the construction of replacement drill towers, following completion of site investigation and design works, for which a contract has now been let

					• Fees associated with progressing the business case for a SHQ relocation, £0.2m.
ICT Systems	0.250	0.055	(0.195)	-	The budget relates to the replacement of various systems and ICT hardware, in line with the ICT asset management plan. Spend in year relates to replacement hardware (Vehicle Mounted Data Systems). Slippage relates to various items of software and hardware, where we are experiencing a shortage of raw materials and expect deliveries to take place in the new financial year, resulting in slippage of £0.2m.
Grand Total	**4.451**	**3.350**	**(1.083)**	**(0.018)**	

The programme has been financed in year, from a combination of revenue contributions (£2.373m) and the drawdown of capital reserves (£0.977m), as shown in Appendix 1.

Prudential Indicators 2021/22

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.

Table 3 Revised Prudential Indicators 2021/22

	Revised	**Actual**
Net financing costs (Income)	(£0.094m)	(£0.094m)
Ratio of Financing Costs to Net Revenue Stream (this expresses net financing charges as a % of total net revenue spending)	(0.16%)	(0.16%)
Capital Expenditure (this is simply a measure of spend)	4.451	3.350
Capital Financing (how the spending was funded):		
Grants and contributions	-	-
Own resources	4.451	3.350
Debt	-	-
Total	4.451	3.350
Capital Financing Requirement (this measures the authority's underlying need to borrow to fund its capital programmes)	nil	nil

The Impact of Slippage from the 2021/22 Capital Programme into the 2022/23 Programme

The original approved capital programme for 2022/23 was £8.9m. This has been updated for slippage outlined earlier. In addition, a review of likely timing of capital schemes has been undertaken and as a result of this £0.9m of property and £0.2m of ICT schemes need to be slipped into 23/24. This results in the following updated 22/23 programme:

Table 4 Revised Capital Programme 2022/23

	£m
Approved capital budget 2021/22	8.857
Slippage from 2021/22	1.083
Additional budget requirement Vehicles. Included within this are 5 additional vehicles for flexi duty officers, reflecting how many officers have chosen to move to a provided vehicle since the budget was set. (As new Officers take up post the vehicle requirements can change on a regular basis, hence it is proposed that the Treasurer is able to agree an increase in vehicle provision in line with these requirements up to a maximum of a further 3 additional vehicles, such agreement to be retrospectively reported to the Committee.)	0.200
Slip budget from 22/23 to 23/24 in respect of: - • Preston rebuild • SHQ relocation • Blackpool Dormitories • Various ICT Schemes	(1.108)
Revised capital budget 2022/23	9.032

As a result, the final proposed capital programme for 2022/23 is £9.0m, which is funded from capital grant, revenue contributions, earmarked reserves and capital reserves. The revised programme and its funding are set out in appendix 2.

The following table sets out the revised prudential indicators for 2022/23-2024/25, showing that the revised programme, despite requiring some borrowing in 24/25, remains affordable, prudent and sustainable, as follows: -

Table 5 Revised Prudential Indicators 2022/23-2024/25

	2022/23 Estimate	**2023/24 Estimate**	**2024/25 Estimate**
Net financing costs (Income)	(£0.200m)	(£0.100m)	£0.051m
Ratio of Financing Costs to Net Revenue Stream. (The figures show that there is revenue income rather than costs.)	(0.32%)	(0.16%)	0.08%
Capital Expenditure	9.032	15.475	11.480
Capital Financing (how the spending will be funded):			
Grants and contributions	1.000	-	-
Own resources	8.032	15.475	6.745
Debt	-	-	-
Total	9.032	15.475	6.745
Capital Financing Requirement	-	-	4.735

Note the draft programme shows a need to borrow in 2024/25, although the extent and timing of this will be reviewed as part of future budget setting cycles

Capital Reserves

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

Table 6 Anticipated Capital Reserves 2021-2027

	Capital Reserves	Capital Receipts	Capital Grant	Total
	£m	£m	£m	£m
Balance 31/3/21	17.9	1.7	0.0	19.6
Additions/utilisation in year	(0.2)	0.0	0.0	(0.2)
Balance 31/3/22	17.7	1.7	0.0	19.4
Additions/utilisation in year	(3.6)	0.0	0.0	(3.6)
Balance 31/3/23	14.1	1.7	0.0	15.8
Additions/utilisation in year	(12.1)	(0.1)	0.0	(12.2)
Balance 31/3/24	2.0	1.6	0.0	3.6
Additions/utilisation in year	(2.0)	(1.6)	0.0	(3.6)
Balance 31/3/25	0.0	0.0	0.0	0.0
Additions/utilisation in year	0.0	0.0	0.0	0.0
Balance 31/3/26	0.0	0.0	0.0	0.0
Additions/utilisation in year	0.0	2.0	0.0	2.0
Balance 31/3/27	0.0	2.0	0.0	2.0

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:
Reason for inclusion in Part 2 if appropriate: N/A

APPENDIX 1

CAPITAL BUDGET 2021/22

Table 7 Capital Budget 2021/22

CAPITAL BUDGET 2021/22	Final Prog	Year End Outturn	Slippage	Est final Cost	Over/ (Under) Spend
Vehicles					
Operational Vehicles	0.206	0.136	(0.055)	0.191	(0.015)
Support Vehicles	0.400	0.199	(0.225)	0.424	0.024
	0.606	0.335	(0.280)	0.615	0.009
Operational Equipment					
Operational Equipment	0.329	0.095	(0.200)	0.295	(0.034)
	0.329	0.095	(0.200)	0.295	(0.034)
Buildings Modifications					
STC Workshop	2.783	2.747	(0.036)	2.783	-
Enhanced station facilities	0.183	0.040	(0.150)	0.190	0.007
Drill tower replacements	0.150	0.078	(0.072)	0.150	-
SHQ Relocation	0.150	-	(0.150)	0.150	-
	3.266	2.865	(0.408)	3.273	0.007
ICT					
IT Systems	0.250	0.055	(0.195)	0.250	-
	0.250	0.055	(0.195)	0.250	-
Total Capital Requirement	**4.451**	**3.350**	**(1.083)**	**4.433**	**(0.018)**
Funding					
Capital Grant	-	-	-	-	-
Revenue Contributions	2.373	2.373	-	2.373	-
Earmarked Reserves	-	-	-	-	-
Capital Reserves	2.078	0.977	(1.083)	2.060	(0.018)
Total Capital Funding	**4.451**	**3.350**	**(1.083)**	**4.433**	**(0.018)**

APPENDIX 2

CAPITAL BUDGET 2022/23

Table 8 Capital Budget 2022/23

CAPITAL BUDGET 2022/23	Original Programme	Year end Slippage	Adjustment	Revised Programme
Vehicles				
Operational Vehicles	3.078	0.055	(0.008)	3.125
Supprot Vehicles	0.359	0.225	0.208	0.792
	3.437	0.280	0.200	3.917
Operational Equipment				
Operational Equipment	1.600	0.200	-	1.800
	1.600	0.200	-	1.800
Buildings Modifications				
STC Fleet Garage	0.000	0.036	-	0.036
Preston	0.500	0.000	(0.300)	0.200
SHQ relocation	0.000	0.150	(0.150)	-
W30 Dormatory	0.450	0.000	(0.450)	-
E70 Dormatory	0.000	0.150	-	0.150
Drill tower replacements	0.450	0.072	0.042	0.564
	1.400	0.408	(0.858)	0.950
ICT				
IT Systems	2.420	0.195	(0.250)	2.365
	2.420	0.195	(0.250)	2.365
Total Capital Requirement	**8.857**	**1.083**	**(0.908)**	**9.032**
Funding				
Capital Grant	1.000	-	-	1.000
Capital Receipts	-	-	-	-
Capital Funding Reserve	3.603	1.083	(1.108)	3.578
Revenue Contributions	4.000	-	0.200	4.200
Use of Earmarked Reserves	0.254	-	-	0.254
Use of General Reserves	-	-	-	-
Total Capital Funding	**8.857**	**1.083**	**(0.908)**	**9.032**

Lancashire Combined Fire Authority
Resources Committee

Meeting to be held on 06 July 2022

Year End Revenue Outturn 2021/22
(Appendix 1 refers)

Contact for further information: Keith Mattinson - Director of Corporate Services
Tel: 01772 866804

Table 1 Executive Summary and Recommendations

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 £331k. **Recommendation** The Committee is asked to note and endorse the outturn position on the 2021/22 revenue budget, and the associated transfer of this to the capital funding reserve.

The Revenue Outturn Position

The annual budget for the year was set at £58.175m. The final outturn position shows net expenditure of £57.844m, giving a total underspend for the financial year of £0.331m, 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 the full amount 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):-

Table 2 Details of current and forecast budget position by department

Area	Overspend/ (Underspend)	Reason
	£'000	
Service Delivery	(190)	The year end underspend is consistent with previous reports, relating to the reduced activity levels in the following areas: • Smoke detectors, in addition recent difficulties in the supply chain for smoke alarms are partially resolved, however a potential increase in costs has been identified which may impact final spend in year;

		• Travel budgets, which are significantly underspent, it is expected that changing working practices for non-operational staff will mean reduced usage in the future therefore we have reflected this reduction in next years' budget.
Covid-19	18	We have received total funding of £1.6m since March 2020. In addition, as previously reported, we have transferred £0.2m of travel/mileage budgets into this reserve to reflect savings in respect of differing working practices during the pandemic, resulting in total funding of £1.8m. As at the end of January we have fully utilised the £1.8m, as follows: • Additional staff costs £0.6m • Additional cleaning £0.1m • Consumable items £0.2m • Remote working and video conferencing equipment £0.2m • PPE £0.7m • Total £1.8m
TOR	(196)	The year end underspend is consistent with previous reports largely reflecting the position with apprentice levy income for wholetime recruits, which has seen an increase due to an increase in the base funding level and the co-investment income received in respect of these apprentices, once our own levy pot had been exhausted.
Property	(237)	The final outturn position is consistent with previous reports, with departmental capacity during the year limiting expenditure in-year. The recruitment of a second surveyor post midway through the year, mitigated the underspend in the second half of the year and will provide additional capacity to fully utilise our budget in 22/23.
Non DFM	717	Overall the final outturn position is broadly consistent with previous reports, reflecting the following: • the £0.3m funding gap identified at the time of setting the budget in February 2021; • additional RCCO of £0.1m approved during the year as previously reported; • the transfer of £0.5m into the PFI earmarked reserve, reflecting the confirmed inflation increase of 8%; • the PFI re-financing gain of £0.2m; • an additional £0.1m of section 31 grant reflecting the final position in respect of Business Rate Reliefs and Tax Income Guarantee Scheme relating to 20/21 collection fund shortfalls.
Wholetime Pay (including associate	180	The final outturn position is consistent with previous reports, there have been significantly more early leavers than allowed for in the budget, and a shortfall in recruitment numbers, which is offset by the unbudgeted grey book pay award of 1.5%, and by

trainer costs)		increased overtime costs, associated with covering vacancies and staff absences.
On Call Pay	(236)	The position within On-call staffing is underspent, with the unbudgeted pay award being more than offset by higher staff vacancies and lower ad hoc payments than budgeted.
Support staff (less agency staff)	(262)	The final outturn position is consistent with previous reports, with the current vacancy factor being circa 12%/13%, far in excess of budget. This is partly offset by the unfunded pay award for green book staff, and by the use of agency staff to cover some of the posts.
Apprentice Levy	(19)	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.

Grant Funding

The Authority receives specific grants from the Government in respect of various new initiatives. These are included in the revenue budget position shown above, with any unspent funding being carried forward as an earmarked reserve:

Table 3 Details of utilisation of specific government grants

	S31 Covid grant £000	Protection uplift £000	Building Risk Review £000	Accredi -tation £000	Grenfell Infra-structure £000	Pensions Admin £000	Efficiency £000
B/fwd	(382)	(105)	(40)	(35)	(83)	(94)	-
Grant received in year		(334)			-	(94)	(131)
Tfr in from budgets	(72)	-	-	-	-	-	-
Utilised	454	354	40	-	63	42	-
Bal Remaining	-	(85)	-	(35)	(20)	(145)	(131)

<u>Delivery Against Savings Targets</u>

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

Table 4 Details of performance against savings targets set for the current year

	Annual Target	Savings at Year End
	£m	£m
Staffing, including post reductions plus management of vacancies	0.058	0.394
Reduction in the vehicle R&M budget in line with contract management	0.095	0.095
Procurement savings	-	0.234
Balance – cash limiting previously underspent non pay budgets	0.026	0.026
Total	0.179	0.749

The performance was ahead of the annual target, largely due to staffing vacancies, plus savings on the procurement of several vehicles.

Business Risk

None

Environmental Impact

None.

Equality and Diversity Implications

None.

HR Implications

None.

Financial Implications

As set out in the report.

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

Paper:
Date:
Contact:
Reason for inclusion in Part 2 if appropriate: N/A

Table 5 Budget Monitoring Statement

BUDGET MONITORING STATEMENT	Total Budget	Budgeted Spend to Mar 2022	Actual Spend to Mar 2022	Variance O/Spend (U/Spend)	Variance Pay	Variance Non-Pay
	£000	£000	£000	£000	£000	£000
Service Delivery						
Service Delivery	34,989	34,989	34,716	(273)	(83)	(190)
Prevention & Protection	2,647	2,647	2,529	(119)	(71)	(47)
Covid-19	0	0	18	18	-	18
Control	1,298	1,298	1,298	0	-	0
Youth Engagement (inc Princes Trust)	22	22	10	(12)	-	(12)
Special Projects (ISAR)	13	13	(10)	(23)	-	(23)
Strategy & Planning						
Service Development	1,498	1,498	1,486	(12)	44	(56)
Training & Operational Review	4,015	4,015	3,701	(314)	(117)	(196)
Fleet & Technical Services	2,732	2,732	2,781	49	9	41
Information Technology	2,791	2,791	2,833	42	(43)	85
Digital Transformation	347	347	367	20	(8)	29
People & Development						
Human Resources	828	828	851	23	7	16
Occupational Health Unit	244	244	237	(7)	8	(16)
Corporate Communications	350	350	325	(25)	(25)	0
Safety Health & Environment	242	242	195	(48)	(24)	(23)
Corporate Services						
Executive Board	1,039	1,039	1,046	7	29	(22)
Central Admin Office	758	758	702	(56)	(51)	(4)
Finance	148	148	151	3	0	2
Procurement	945	945	951	6	37	(31)
Property	1,902	1,902	1,654	(248)	(11)	(237)
External Funding	-	-	2	2	1	1
Pay						
TOTAL DFM EXPENDITURE	**56,808**	**56,808**	**55,844**	**(965)**	**(301)**	**(664)**
Non DFM Expenditure						
Pensions Expenditure	1,287	1,287	1,240	(47)	-	(47)
Other Non-DFM Expenditure	80	80	761	681	(36)	717
NON-DFM EXPENDITURE	**1,367**	**1,367**	**2,000**	**634**	**(36)**	**669**
TOTAL BUDGET	**58,175**	**58,175**	**57,844**	**(331)**	**(336)**	**5**

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Lancashire Combined Fire Authority
Resources Committee
Meeting to be held on 06 July 2022

Year End Usable Reserves and Provisions Outturn 2021/22

Contact for further information: Keith Mattinson - Director of Corporate Services
Tel: 01772 866804

Table 1 Executive Summary and Recommendations

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 utilisation of £690k of earmarked reserves;
- agree the year end transfers associated with the revenue outturn, £331k to the capital funding reserve;
- note the transfer of £336k from earmarked reserves into capital reserves;
- agree the year end capital outturn drawdown from capital reserves of £977k;
- note the transfer of £15k of unused RCCO to capital reserves;
- note £3k of capital receipts;
- note that we have not yet received NWFC accounts in order to calculate our share of their reserves, nor are we able to calculate our share of the Business Rates Collection Fund Appeal Provision;
- 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 Authorities overall reserves position, which is summarised below:-

Table 2 Overall Reserves as at 31 March 2022

	General Reserve	Earmarked Reserves	Capital Reserves	NWFC Reserves	Total Usable Reserves	Provisions*	Total
	£m	£m	£m	£m	£m	£m	£m
Balances at 31/3/21	6.044	10.769	19.647	-	36.460	1.536	37.996
Revenue Adjustments							
• Utilised / Provided for In-Year	-	(0.690)	-	-	(0.690)	-	(0.690)
• Revenue Outturn	-	-	0.331	-	0.331	-	0.331
• Specific transfers to/(from) Earmarked Reserves	-	(0.336)	0.336	-	-	-	-
	-	(1.026)	0.667	-	(0.359)	-	(0.359)
NWFC reserves movement	-	-	-	-	-	-	-
Capital Adjustments							
• Capital Outturn	-	-	(0.977)	-	(0.977)	-	(0.977)
• Unused RCCO			0.015		0.015		0.015
• Capital Receipts	-	-	0.003	-	0.003	-	0.003
	-	-	(0.959)	-	(0.959)	-	(0.959)
Balances at 31/3/22	6.044	9.743	19.355	-	35.141	1.536	36.677

Note the above figures exclude our share of the NWFC reserves. Furthermore, as we are still awaiting details of our share of the Business Rates Collection Fund Appeal, we are unable to update the position in respect of provisions.

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, £331k, 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 £4.0m to £10.0m.

Earmarked Reserves

The reserve covers all funds, which have been identified for a specific purpose. The overall reserves level has reduced from increased significantly from £10.8m to £9.8m, with the detailed position in respect of the various earmarked reserves set out:-

Table 3 Earmarked Reserves as at 31 March 2022

	Balance at 31 March 2021	Transfer 2021/22	Balance at 31 March 2022	
	£m	£m	£m	
Devolved Financial Management	0.303	(0.053)	0.250	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. I propose setting the following DFM balances for each Directorate: Service Delivery £100k Strategy and Planning £100k People and Development £25k Corporate Services £25k

PFI Equalisation Reserve	4.593	0.474	5.067	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.
PFI Refinancing	-	0.212	0.212	The reserve arises from the PFI refinancing exercise undertaken in year and specifically the gain that arose from this.
Insurance Aggregate Stop Loss (ASL)	1.118	-	1.050	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 2021/22 as the costs were met from the revenue budget and existing insurance provision.
Fleet & Equipment	0.190	0.060	0.250	This reserve provides scope to meet new equipment requirements identified in year or timing issues in terms of deliveries.
Prince's Trust	0.422	0.025	0.447	This reserve has been established to balance short term funding

				differences and to 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	0.102	(0.024)	0.078	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	0.080	(0.036)	0.044	This reserve covers costs associated with the delivery of the Emergency Services Mobile Communication Programme (ESMCP), which are not met by the Home office. As such usage in year reflects the shortfall between Government funding an the actual costs incurred in year.
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 Ring fenced Funding	0.382	(0.382)	-	The Government has provided £1.4m of total funding to meet costs associated with the Covid pandemic. This has now bene fully utilised.
Section 21 Business Rate Relief Grant	1.925	(0.824)	1.101	In 20/21 the Government has 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 accrued £1.9m for our anticipated share of this in 20/21 and carried this forward via this reserve in order to meet the business rate collection fund shortfall that has arisen. This was drawn down in 21/22. However, a similar exercise was undertaken in respect of 21/22 resulting in an estimated £1.1m now being due to the Authority, i.e. a net reduction of £0.8m.
C/Fwd. 20/21 Underspend Relating to Timing of Activities	0.614	(0.372)	0.242	We carried forward a number of underspends from 20/21 reflecting timing issue arising during the pandemic. Whilst we have utilised some of this funding, £0.3m of this can be transferred into the capital funding reserve, leaving a balance of £0.2m to support training requirements and digital transformation.
Specific Grant C/Fwd.	0.490	0.058	0.416	This reserve carries forward unspent specific grants provided in respect of • Protection Uplift Grant • Building Risk Review Grant • Grenfell Infrastructure Grant • Pensions Admin Grant • Efficiency Grant We anticipate utilising these funds in the new financial year.
Various other ad hoc reserves	0.048	0.035	0.083	This balance covers various other smaller reserves for use in the medium term.
	10.769	(1.027)	9.742	

It is worth highlighting that a number of these reserves are short-term holding reserves and as such we anticipate drawing these down, reducing our earmarked reserves to approx. £7m by March 2027, 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 2021/22 we utilised £977k of capital reserves. However, this is partly offset by the proposed transfer of £336k from earmarked reserves, £3k of unused RCCO and of £331k from general reserve, representing the in-year revenue underspend. In addition, the sale of vehicles generated £3k of capital receipts.

As a result of this the Authority currently holds £19.4m of capital reserves/receipts.

Table 4 Capital Reserves and Receipts as at 31 March 2022

	Capital Reserves	Capital Receipts	Total
Balance at 31 March 2020	17.968	1.680	19.648
Capital expenditure	(0.977)	-	(0.998)
Capital receipts	-	0.003	0.003
Unused RCCO	0.015	-	0.015
Transfer from In-year revenue underspend	0.331	-	0.331
Transfer from earmarked reserves	0.336	-	0.336
Balance at 31 March 2021	17.672	1.683	19.355

However, the 22/23-26/27 capital programme, after allowing for slippage, shows all of this being utilised over the next 3 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. We have not yet undertaken this review.
- 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. We have not yet undertaken this review

Table 5 Provisions as at 31 March 2022

	Insurance Provision	Business Rates Collection Fund Appeals Provision	Total
Balance at 31 March 2021	0.500	1.036	1.536
Additional provision/(Utilised in year)	-	-	-
Balance at 31 March 2022	0.500	1.036	1.536

Summary

The overall position at year end shows the Authority (excluding draft North West Fire Control balances) holding £36.7m of reserves and provisions, compared with the anticipated £35.3m identified in the Reserves and Balances Policy, agreed in February, the majority of the difference reflecting the additional capital slippage.

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:-

Table 6 Summary Position as at 31 March 2022

	General Reserve	Earmarked Reserve	Capital Reserves & Receipts	Total Usable Reserves	Provisions*	Total Reserves & Balances
	£m	£m	£m	£m	£m	£m
Balance 31/3/21	6.0	10.8	19.6	36.5	1.5	38.0
Change in year	-	-1.0	-0.3	-1.3	-	-1.3
Balance 31/3/22	6.0	9.7	19.4	35.1	1.5	36.7
Change in year	-	-2.5	-3.5	-6.0	-	-6.0
Balance 31/3/23	6.0	7.3	15.8	29.2	1.5	30.7
Change in year	-	-0.3	-12.3	-12.6	-	-12.6
Balance 31/3/24	6.0	7.0	3.5	16.6	1.5	18.1
Change in year	-	-0.2	-3.5	-3.8	-	-3.8
Balance 31/3/25	6.0	6.7	0.0	12.8	1.5	14.3
Change in year	-	-0.3	-	-0.3	-	-0.3
Balance 31/3/26	6.0	6.5	0.0	12.5	1.5	14.1
Change in year	-	-0.2	2.0	1.8	-	1.8
Balance 31/3/27	6.0	6.2	2.0	14.3	1.5	15.8

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 2 if appropriate: N/A

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Lancashire Combined Fire Authority
Resources Committee

Meeting to be held on 6 July 2022

Financial Monitoring 2022/23

(Appendices 1 and 2 refer)

Contact for further information: Keith Mattinson - Director of Corporate Services
Tel: 01772 866804

Table 1 Executive Summary and Recommendations

Executive Summary The report sets out the current budget position in respect of the 2022/23 revenue and capital budgets. **Recommendation** The Committee is requested to note and endorse the financial position.

Revenue Budget

The overall position at the end of May is an overspend of £0.1m, largely as a result of price increases associated with energy and fuel.

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: -

Table 2 Details of current budget position by department

Area	Overspend/ (Under spend)	Reason
	£'000	
Fleet & Technical services	38	The increase in fuel prices is reflected in the overspend to date. The budget allowed for 12.5% increase in fuel costs, but the actual increase is significantly higher than this, approx. 50%, which equates to approx. £125k. In terms of usage it is too early to base any year end forecast on this, but clearly, we will continue to monitor the situation.
Property	94	The increase in energy prices is reflected in the overspend to date. The budget allowed for 25% increase in fuel costs, but the actual increase is significantly higher than this, approx. 100%, which equates to approx. £300k. In terms of usage it is too early to base any year end forecast on this, but clearly, we will continue to monitor the situation.

Wholetime Pay	(55)	The majority of the underspend is attributable to the slight shortfall in recruit numbers in April/May, 19 as opposed to 25. Retirements and leavers are broadly in line with forecast. 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	14	This is broadly in line with budget.
Associate Trainers pay	13	Associate trainers are used to provide greater flexibility to match resource to demand, offsetting shortfall in trainer numbers and meet peak demands in activity at Training Centre. Expenditure is broadly in line with budget.
Support staff (less agency staff)	(1)	The budget was adjusted to take account of the increased level of vacant support post within the Service. Whilst a number of posts remain vacant, we are utilising agency staff to fill some of these, resulting in a broadly balanced budget.
Apprentice Levy	(4)	The apprentice levy is payable at 0.5% of each month's payroll costs. As can be seen expenditure is in line with budget.

It is worth reminding members that the budget allowed for 2% pay awards for both grey and green book personnel. The pay claims for both groups are significantly higher than this and hence the budget may come under increasing pressure from this, as well as the general cost of living increase.

Capital Budget

As reported elsewhere on the agenda, the capital budget for 2022/23 stands at £9.0m. There has been very little spend against the resultant programme, just £0.2m, mainly against Support Vehicles, a shown below, with further details in Appendix 2: -

Table 3 Details of current and forecast capital spend during the year by spend category

	Spend to 31 May	
	£m	
Operational vehicles	-	The budget allows for the replacement of various operational vehicles. We have already ordered 13 pumping appliances (7 this year and 6 next year) , 2 Command Units and an ALP, but these won't be delivered until much later in the year, hence no costs have been incurred to date.
Support vehicles	0.1	This budget allows for the replacement of various operational support vehicles, whilst some of these have already been delivered, the shortage of raw materials is affecting both the timeframe for delivery and the cost of vehicles, and hence this budget/timing may need adjusting during the year.

Operational Equipment	-	This budget allows for the piloting of CCTV on a number of pumping appliances and the replacement of light portable pumps, both of which have been ordered but again have not yet been delivered. In addition the budget allows for the replacement of cutting and extrication equipment where the project is in the early stages and where costs may change depending on the type of equipment purchased and whether this is a whole scale replacement or not.
Building Modifications	0.1	This budget allows for: • The replacement of 4 drill towers, where one tower, Blackpool, was completed in June, and where contracts have now been let for a further 2 towers, Tarleton and Bolton le Sands. • Enhanced facilities at Hyndburn fire stations, where a contract has been awarded • £0.2m in relation to fees associated with developing plans for the replacement of Preston Fire Station.
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 no costs have been incurred in the year so far, it is worth highlighting that we have awarded contracts or are in the process of doing so for several of the systems, totalling over £1.0m of capital spend.
Total	0.2	

The costs to date will be met by revenue contributions.

We continue to see significant cost increases across various supply chains, and in particular in construction projects and this will affect some of the capital projects as they progress through the procurement stage. In addition, shortages of raw materials are more frequently being cited as reasons for delays in delivery of goods ordered, which may lead to further slippage.

Business Risk

None

Environmental Impact

None.

Equality and Diversity Implications

None.

HR Implications

None.

Financial Implications

As set out in the report.

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

Paper:
Date:
Contact:
Reason for inclusion in Part 2 if appropriate: N/A

Appendix 1

Table 4 Revenue Budget Monitoring Statement

BUDGET MONITORING STATEMENT	Total Budget	Budgeted Spend to May 2022	Actual Spend to May 2022	Variance O/Spend (U/Spend)	Variance Pay	Variance Non-Pay
	£000	£000	£000	£000	£000	£000
Service Delivery						
Service Delivery	36,113	6,449	6,484	35	70	(35)
Prevention & Protection	2,927	550	484	(67)	(56)	(10)
Covid-19	-	-	3	3	-	3
Control	1,346	336	345	9	-	9
Youth Engagement (inc Princes Trust)	52	(19)	(19)	(1)	-	(1)
Special Projects (ISAR)	13	2	9	7	-	7
Strategy & Planning						
Service Development	1,572	293	313	20	(7)	27
Training & Operational Review	4,306	1,125	1,031	(94)	(64)	(30)
Fleet & Technical Services	2,709	632	667	35	(3)	38
Information Technology	2,806	548	545	(3)	(5)	2
Digital Transformation	537	70	82	12	4	8
People & Development						
Human Resources	880	139	167	28	2	26
Occupational Health Unit	242	38	45	6	(5)	12
Corporate Communications	341	54	61	7	10	(3)
Safety Health & Environment	242	34	29	(5)	(7)	2
Corporate Services						
Executive Board	1,064	225	230	5	6	(1)
Central Admin Office	866	139	113	(25)	(11)	(14)
Finance	152	24	24	(0)	(1)	1
Procurement	863	139	171	32	30	2
Property	2,183	459	555	96	2	94
External Funding	3	10	5	(5)	(0)	(5)
Pay						
TOTAL DFM EXPENDITURE	**59,215**	**11,250**	**11,342**	**93**	**(37)**	**129**
Non DFM Expenditure						
Pensions Expenditure	1,351	225	238	13	-	13
Other Non-DFM Expenditure	2,526	536	536	0	(1)	2
NON-DFM EXPENDITURE	**3,877**	**761**	**774**	**13**	**(1)**	**14**
TOTAL BUDGET	**63,092**	**12,011**	**12,117**	**106**	**(38)**	**144**

Appendix 2

Table 5 Capital Budget Monitoring Statement

CAPITAL BUDGET 2022/23	Revised Prog	Actual Spend to May 22
Vehicles		
Operational Vehicles	3.125	-
Support Vehicles	0.792	0.095
	3.917	0.095
Operational Equipment		
Operational Equipment	1.800	0.010
	1.800	0.010
Buildings Modifications		
STC	0.036	0.002
Enhanced station facilities	0.150	0.008
Preston Rebuild	0.200	-
SHQ Relocation	-	-
Drill tower replacements	0.564	0.032
	0.950	0.042
ICT		
IT Systems	2.365	-
	2.365	-
Total Capital Requirement	**9.032**	**0.146**
Funding		
Capital Grant	1.000	-
Revenue Contributions	4.200	0.146
Earmarked Reserves	0.254	-
Capital Reserves	3.578	0.000
Total Capital Funding	**9.032**	**0.146**

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