

**LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE**

Meeting to be held on 24 March 2021

**FINANCIAL MONITORING 2020/21
(Appendices 1 and 2 refer)**

Contact for further information:

Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

The report sets out the current budget position in respect of the 2020/21 revenue and capital budgets and performance against savings targets.

Recommendation

Resources Committee is requested to note and endorse the financial position, and to approve the following virements:

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

Information

Revenue Budget

The overall position as at the end of January shows an underspend of £0.6m, largely as a result of pay underspends as previously reported and detailed in the following table. Since the last Resources Committee, we have discussed with budget holders what impact the pandemic has had on their planned spend and have identified virements totalling £0.5m which we have reflected transferring into earmarked reserves for use in the next financial year. We also propose 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) has 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 is currently expected to be an underspend of £0.4m as shown on Appendix 1. We had previously 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 have now confirmed that there will be no levy account distributions in 2020/21.

The year to date and forecast 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 in the table below: -

Area	Overspend / (Under spend) to 31 Jan	Forecast outturn at 31 March	Reason
	£'000	£'000	
Service Delivery	(105)	(156)	<p>The underspend for both to date and the outturn position largely 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:</p> <ul style="list-style-type: none"> • £104k for unspent smoke detector purchases • £34k for spend on an USAR training prop, delayed by the pandemic
Protection Transformation	-	-	<p>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 anticipate 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.</p>
Covid-19	-	-	<p>As previously reported, we received total funding of £1.4m. We have spent £1m to date, with the balance being held in an earmarked reserve. The spend to date is as follows:</p> <ul style="list-style-type: none"> • Additional staff costs £71k • Additional cleaning £21k • Consumable items (eg sanitiser) £138k • Remote working equipment £113k • PPE £654k <p>It is expected that any further costs associated with the ongoing pandemic will be met from this fund.</p> <p>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.</p>

Youth Engagement	(150)	(55)	This budget includes both the Prince's Trust activities and the Fire Cadets units. The year to date position arises from the amended delivery model for Prince's Trust teams, where the residential fees and other team running costs are not being incurred. The forecast position anticipates the transfer of the balance of unspent Prince's Trust income into earmarked reserves to meet future running costs, but this will be brought for a decision during year end. Fire cadet units have 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 reflect the reduced onsite catering requirement for the year alongside various other activity related underspends. However, the position allows 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 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 first quarter, 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	(21)	(9)	All non-essential maintenance was put on hold in quarter one, and was gradually re-instated, departmental capacity and the ongoing situation means that we propose 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 reflect 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 is 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 results in an average of 18 more under establishment than anticipated in the budget, an underspend of £0.8m. The outturn position includes the completion of the ongoing January recruits course in addition to all of the above.
On-Call Pay	164	201	The overspend reflects activity related payments for the year, which can be partly attributed to several moorland fire incidents during quarter one (a 36% higher activity level than quarter one last year) but have been higher on average <u>for the whole year</u> than the previous year. We are assuming that these will continue at broadly the same levels for the rest of the year.
Support staff (less agency staff)	(66)	(84)	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, and subsequent reduced recruitment activity. Note agency staff costs to date of £63k are replacing vacant support staff roles, this accounts 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, we have adjusted the 2020/21 capital programme to remove the items flagged as slipping into 2021/22, due to the ongoing pandemic and associated capacity issues – which for completeness are 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 NWS 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 brings the remaining capital programme to £2.0m, however we are proposing to increase the STC Workshop budget by £34k (which will be transferred from where it currently sits 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 remains at £2.0m (rounded to £m).

There remains very little spend against the resultant 2020/21 programme, just £1.1m, against vehicles and property projects, as departments have been dealing with the impacts of the ongoing pandemic. The current position against the programme is 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 have all now been delivered, in line with the budget, no further spend is expected.
Other vehicles	The amended budget allows for the replacement of support vehicles which are reviewed prior to replacement, with limited further spend anticipated prior to the year end. We have taken delivery of all vehicles ordered in the year and the spend is broadly in line with the budget.
Building Modifications	This budget allows for: <ul style="list-style-type: none"> Provision of a new workshop, BA Recovery and Trainer facility at STC. Work is ongoing on site, as the committed expenditure to date reflects, and the anticipated year end spend is circa £1.1m, however the majority of the budget

	<p>will be spent in the next financial year and was removed from the 2020/21 budget as referred earlier;</p> <ul style="list-style-type: none"> • South Shore refurbishment and extension is underway as the committed expenditure to date reflects, and is expected to be largely complete by the end of March.
--	---

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

Delivery against savings targets

The following table sets out the savings targets identified during the budget setting process, hence removed from the 2020/21 budget, and performance to date against this target: -

	Annual Target	Target at end of Jan	Savings at end of Jan
	£m	£m	£m
Staffing, including post reductions plus management of vacancies	0.054	0.045	0.715
Draw down apprenticeship levy	0.215	0.179	0.148
Reduction in general reserve & unidentified savings target budgets	0.240	0.200	0.200
Reduction in Property utilities/rates budgets	0.085	0.071	0.091
Reduction in smoke detector purchase budgets	0.033	0.027	0.109
Procurement savings (these are savings on contract renewals, such as energy and laundry of fire kit contracts)	0.020	0.017	0.057
Balance – cash limiting previously underspent non pay budgets	0.093	0.077	0.077
Total	0.740	0.616	1.397

The performance to date is significantly ahead of target, largely due to savings in respect of staffing, smoke detectors and Procurement savings. We have already exceeded 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 JAN 2021	Total Budget	Budgeted Spend to Jan 2021	Actual Spend to Jan 2021	Variance O/Spend (U/Spend)	Variance Pay	Variance Non-Pay	Forecast outturn
	£000	£000	£000	£000	£000	£000	£000
Service Delivery							
Service Delivery	35,142	29,008	28,545	(462)	(357)	(105)	(156)
Protection Transformation	5	(219)	(51)	169	169	(0)	(0)
Covid-19	100	-	-	-	-	-	(0)
Control	1,214	1,214	1,214	0	-	0	0
Youth Engagement (inc PTV)	22	138	(12)	(150)	-	(150)	(55)
Special Projects	13	13	20	7	-	7	8
Strategy & Planning							
Service Development	4,292	3,587	3,358	(229)	(232)	2	(10)
Training & Operational Review	3,760	3,125	2,975	(150)	(79)	(71)	(68)
Fleet & Technical Services	2,679	2,140	2,106	(34)	(7)	(27)	(34)
Information Technology	2,626	2,128	2,074	(54)	(0)	(53)	(1)
Digital Transformation	307	207	169	(37)	(37)	-	-
People & Development							
Human Resources	651	535	559	24	11	12	15
Occupational Health Unit	241	202	176	(25)	6	(31)	(38)
Corporate Communications	320	255	229	(26)	(22)	(4)	(5)
Safety Health & Environment	234	186	190	4	7	(3)	(3)
Corporate Services							
Executive Board	1,058	886	824	(62)	(34)	(28)	(37)
Central Admin Office	807	661	570	(92)	(82)	(10)	(12)
Finance	142	118	130	12	9	3	4
Procurement	927	821	861	40	37	4	(4)
Property	1,831	1,378	1,284	(94)	(11)	(83)	(9)
External Funding	-	(7)	(11)	(5)	0	(5)	(7)
Pay	-	-	-	-	-	-	(731)
TOTAL DFM EXPENDITURE	56,371	46,375	45,211	(1,164)	(623)	(541)	(1,143)
Non DFM Expenditure							
Pensions Expenditure	1,309	1,224	1,225	1	-	1	2
Other Non-DFM Expenditure	(341)	(2,642)	(2,056)	586	(47)	634	760
NON-DFM EXPENDITURE	968	(1,419)	(831)	588	(47)	635	762
TOTAL BUDGET	57,339	44,956	44,380	(576)	(670)	94	(381)

APPENDIX 2

CAPITAL BUDGET 2020/21	Revised Prog	CFA Feb	Revised Prog	March Resources	Final Programme	Committed Exp	Year End Outturn	Slippage	Est final Cost	Over/ (Under) Spend
Vehicles										
Pumping Appliance	1.398	(1.060)	0.338	-	0.338	0.336	0.336	-	0.336	(0.002)
Other Vehicles	2.280	(2.010)	0.271	-	0.271	0.276	0.277	(0.000)	0.277	0.006
	3.678	(3.070)	0.609	-	0.609	0.611	0.613	(0.000)	0.613	0.004
Operational Equipment										
Operational Equipment	0.177	(0.177)	-	-	-	-	-	-	-	-
	0.177	(0.177)	-	-	-	-	-	-	-	-
Buildings Modifications										
STC Workshop	4.475	(3.375)	1.100	0.034	1.134	0.393	1.134	(0.000)	1.134	-
NWAS Co-location - Morecambe	0.132	(0.132)	-	-	-	-	-	-	-	-
Enhanced station facilities	0.657	(0.350)	0.307	-	0.307	0.090	0.307	-	0.307	-
Drill tower replacements	0.200	(0.200)	-	-	-	-	-	-	-	-
	5.464	(4.057)	1.407	0.034	1.441	0.483	1.441	(0.000)	1.441	-
ICT										
IT Systems	1.895	(1.895)	-	-	-	-	-	-	-	-
	1.895	(1.895)	-	-	-	-	-	-	-	-
Total Capital Requirement	11.214	(9.199)	2.016	0.034	2.050	1.094	2.054	(0.000)	2.054	0.004
Funding										
Capital Grant	1.000	(1.000)	-	-	-	-	-	-	-	-
Revenue Contributions	2.457	-	2.457	0.034	2.491	1.094	2.491	-	2.491	-
Earmarked Reserves	-	-	-	-	-	-	-	-	-	-
Capital Reserves	7.757	(8.199)	(0.441)	-	(0.441)	-	(0.437)	(0.000)	(0.437)	0.004
Total Capital Funding	11.214	(9.199)	2.016	0.034	2.050	1.094	2.054	(0.000)	2.054	0.004