

**LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE**

Meeting to be held on 7 July 2021

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

Contact for further information:

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Executive Summary

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

Recommendation

The Committee are requested to:

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

Information

Section 31 Grant in respect of Business Rates Relief

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

Local Tax Income Guarantee scheme

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

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

Pay awards 2021/22

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

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

Wholetime Staffing

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

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

It is also worth highlighting that the wholetime budget anticipated two recruits cohorts during the year, with 48 recruits in total, however current numbers only allow for 38

recruits in-year, with a subsequent increase in recruit numbers in 22/23 to compensate. This in-year shortfall resulting in an underspend of approx. £200k.

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

Revenue Budget

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

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

Area	Overspend/ (Under spend)	Reason
	£'000	
Service Delivery	(20)	The underspend for both the first two months largely relates to the reduced activity levels, in particular for car allowances and smoke detector purchases, as was the case last financial year.
Covid-19	-	<p>We have now received total funding of £1.6m since March 2020, having received an additional £0.2m during May 2021. We have spent £1.4m to date, with the balance being held in an earmarked reserve. The spend to date is as follows:</p> <ul style="list-style-type: none"> • Additional staff costs £375k • Additional cleaning £55k • Consumable items (e.g. sanitiser) £174k • Remote working and video conferencing equipment £181k • PPE £663k <p>It is expected that any further costs associated with the ongoing pandemic, such as enhanced cleaning, additional staff costs etc. will be met from this fund. In addition, we propose to transfer £10k per month from travel budgets into the Covid-19 reserve in relation to the reduced use of vehicles during the pandemic, in line with the previous years treatment. This will be reviewed as the year progresses and activities return to normal.</p>
Property	(19)	Whilst non-essential maintenance was re-instated prior to the end of the last financial year, departmental capacity due to a vacant surveyor post, and the

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

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

Capital Budget

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

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

Pumping Appliances	The budget allows for 7 replacement pumping appliances spread across the 2019/20 to 2021/22 capital programmes, for which the specification is being reviewed following delivery of the previous 7 vehicles in the latter part of the previous financial year. We currently anticipate starting a procurement exercise in the second half of the financial year.
Other vehicles	<p>This budget allows for the replacement of various operational support vehicles, the most significant of which are:</p> <ul style="list-style-type: none"> • Two Command Support Units (CSU); • Two Water Towers; • One Turn Table Ladder (TTL); • One all-terrain vehicle <p>As reported elsewhere on the agenda, differing procurement routes are being considered for each of these, and we plan to use national frameworks where appropriate.</p> <p>In addition to these, the budget allows for various support vehicles which are reviewed prior to replacement but are being progressed with several on order.</p>
Operational Equipment/Future Firefighting	<p>This budget allows for</p> <ul style="list-style-type: none"> • completion of the kitting out of three reserve pumping appliances, which is almost complete; • the progression of CCTV on pumping appliances; • replacement of capital items from the equipment replacement plan, namely light portable pumps, defibrillators and a replacement drone. <p>Again, where appropriate, we intend to make use of existing procurement frameworks to progress these once specifications are completed.</p>
Building Modifications	<p>This budget allows for:</p> <ul style="list-style-type: none"> • Provision of a new workshop, BA Recovery and Trainer facility at STC. Spend during the period was

	<p>£0.6m. Work is expected to be completed within the budget in October 2021;</p> <ul style="list-style-type: none"> • South Shore refurbishment and extension has had a small amount of spend reflecting work completed in the new financial year. This project is now complete; • Enhanced facilities at Blackpool and Hyndburn fire stations, which are under review prior to moving to the procurement phase; • £0.3m budgetary provision for replacement drill towers; • £0.2m in relation to fees associated with progressing the business case for a SHQ relocation. <p>As with the revenue budget, current departmental capacity to progress these is limited, but is expected to improve in the next few months.</p>
IT systems	<p>The majority of the capital budget relates to the national Emergency Services Mobile Communications Project (ESMCP), to replace the Airwave wide area radio system and the replacement of the station end mobilising system. The ESMCP project budget, £1.0m, is offset by anticipated grant, however the timing of both expenditure and grant is dependent upon progress against the national project. This national project has suffered lengthy delays to date, hence is included within slippage into the next financial year. The balance of the budget relates to the replacement of various systems and ICT hardware, in line with the ICT asset management plan. Whilst initial scoping work is ongoing to facilitate the replacement of some of these systems in the current year, we are still reviewing the need to replace others.</p>

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

Delivery against savings targets

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

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

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

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

Financial Implications

As outlined in the report

Business Risk Implications

None

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985

List of Background Papers

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

Appendix 1

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

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