

LANCASHIRE COMBINED FIRE AUTHORITY RESOURCES COMMITTEE

Meeting to be held on 29 September 2021

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

Contact for further information:

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Table 1 Executive Summary and Recommendations

Executive Summary

The report sets out the current budget position in respect of the 2021/22 revenue and capital budgets and performance against savings targets.

Recommendation(s)

The Committee is requested to:

- note the updates on 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 1.75% pay award offered to support staff;
- approve the amendment to the capital programme to remove expected slippage;
- to make an additional revenue contribution of £55k into the capital programme to reflect the contract variations agreed on BA Recovery and Trainer facility at Service Training Centre and South Shore Station refurbishment and extension, and note the corresponding increase in the capital programme; and
- note and endorse the financial position.

Information

Section 31 Grant in respect of Business Rates Relief - update

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 previously, 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. The grant amount has been confirmed and is anticipated to be received later in the financial year, most likely in Q4 2021/22, however it is likely to be paid over as part of the reconciliation carried by central government out after the completion of the Business Rates 2020/21 year-end returns submitted by billing authorities, which may affect the actual amount eventually received dependent on the overall reconciliation. This will be reported to Members 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.

The shortfalls were calculated as part of the billing authority collection fund outturn reporting, and £132k was accrued in relation to this. In early June Ministry for Housing, Communities & Local Government (MHCLG) confirmed that we would receive an 'on account' payment of the sum of £74k for Business Rates, being 50% of their estimate of our entitlement under this guarantee scheme. The corresponding estimate for Council tax was nil. The final calculated grant is expected to be £160k (£28k higher than accrued) and the outstanding grant sum of £86k will be paid after a reconciliation of the 2020/21 year-end returns submitted. This is expected to result in an additional £28k income in 2021/22.

Pay awards 2021/22

As previously reported the unbudgeted grey book pay award of 1.5% will cost approx. £450k in 2021/22.

The pay award for green book staff has not yet been agreed, but the pay offer has been increased to 1.75%, which would, after allowing for anticipated vacancies, cost approximately £100k more than allowed for in the budget.

Wholetime Staffing

As previously reported forecasting early retirements is extremely difficult, due to the uncertainty surrounding changes to pensions. 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 leavers in the first four months of the year (33), which included 12 early leavers. Overall, this means that at the end of July we had 10 fewer wholetime members of staff than budgeted, resulting in an underspend of circa £150k against budgeted establishment levels. If this position is maintained throughout the rest of the year this would result in an underspend of £425k.

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

If there are no further early leavers for the rest of the year (which seems unlikely), there will have been an average of 13 vacant wholetime posts, equating to an underspend circa £625k.

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

Revenue Budget

The overall position at the end of July is an underspend of £0.1m, largely as a result of staffing vacancies.

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 as usual in the table below: -

Area	Overspend/ (Under spend)		Reason
	30 July 2021	Forecast	
	£'000		
Service Delivery	(65)	(196)	The underspend for both the first four months, and the year-end forecast, largely relates to the reduced activity levels, in particular for smoke detector purchases, as was the case last financial year. It is worth noting that we are currently experiencing difficulties in the supply chain for smoke alarms, and this may impact final spend in year.
Covid-19	-	-	<p>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. We have spent £1.6m to the end of July, as follows:</p> <ul style="list-style-type: none"> • Additional staff costs £0.4m • Additional cleaning £0.1m • Consumable items £0.2m • Remote working and video conferencing equipment £0.2m • PPE £0.7m <p>With effect from 1 September, LFRS reduced the level of support offered to the large vaccination centres, handing over control back to the NHS. We anticipate that the staffing costs in July and August will fully utilise the funding.</p>
Property	(103)	(110)	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. Whilst we have recruited to this post the new starter does not commence until November, and hence this situation is expected to continue for the short term, resulting in an underspend by year end.

Non DFM	117	345	The year to date and outturn overspend reflects the £0.3m funding gap identified at the time of setting the budget in February.
Wholetime Pay (including associate trainer costs)	34	240	<p>As reported above, there have been several early leavers during the first four months, in excess of the number expected in the budget which caused an underspend.</p> <p>This is more than offset by: -</p> <ul style="list-style-type: none"> increased overtime costs, associated with covering vacancies, and staff absences. As the May recruits are posted to station in September the reliance on overtime should reduce in the second half of the year. the unbudgeted grey book pay award of 1.5% will cost approx. £400k in 2021/22. <p><u>The net of all the above factors is the forecast overspend of £240k, however it should be noted that should we continue to experience higher than expected early leavers this overspend may reduce.</u></p>
On Call Pay	9	(31)	The position within On-call staffing is broadly breakeven, with the unbudgeted pay award being broadly offset by slightly higher staff vacancies than budgeted.
Support staff (less agency staff)	(159)	(197)	<p>The underspend relates to vacant posts across various departments, in excess of the 3.75% vacancy factor built into the budget. This is partly offset by spend on agency staff, which amounted to £24k in the period.</p> <p>Although recruitment activity has now recommenced the labour market has become more challenging and we are experiencing difficulties in filling posts. As such we anticipate the high level of vacancies remaining throughout the year.</p> <p>This will be partly offset by the eventual pay award for green book staff. This has not yet been agreed, but the pay offer has been increased to 1.75%, which has been reflected in the forecast outturn position which will be updated as we progress through the year.</p>
Apprentice Levy	(5)	(20)	The apprentice levy is payable at 0.5% of each month's 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.

It is worth noting that we are seeing significant cost increases across various supply chains, and in particular in construction projects and this may affect the final outturn expenditure levels. We will continue to monitor this, and other trends, to ensure that they are reflected in future year's budgets, as well as being reported to Committee.

Capital Budget

The capital budget for 2021/22 currently stands at £10.5m.

Since the last meeting we have been working with budget holders to review spend to date and anticipated timing of future spend. The current position against the programme is set out below, with further details in Appendix 2: -

Pumping Appliances	The budget allowed for 7 replacement pumping appliances. We currently anticipate starting a procurement exercise in the second half of the financial year, however due to lead times we are not anticipating incurring any costs in the current year and hence have moved the budget out of 2021/22.
Other vehicles	This budget allowed for the replacement of various operational support vehicles, the most significant of which are: <ul style="list-style-type: none"> • Two Command Support Units (CSU); • Two Water Towers; • One Turn Table Ladder (TTL); Differing procurement routes are being considered for each of these, and we plan to use national frameworks where appropriate, however due to departmental capacity to progress several projects and associated lead times, hence anticipated spend has been moved out of 2021/22. The budget also allowed for various other operational support vehicles which are being progressed with several already received.
Operational Equipment/Future Firefighting	This budget allowed for <ul style="list-style-type: none"> • the progression of CCTV on pumping appliances, where we are proposing trialling this in the first instance and hence the project will not be complete by year end; • replacement of capital items from the equipment replacement plan, namely defibrillators and a replacement drone which have been ordered and light portable pumps, which have yet you be purchased. Again, where appropriate, we intend to make use of existing procurement frameworks to progress these once specifications are completed.
Building Modifications	This budget allowed for: <ul style="list-style-type: none"> • Provision of a new workshop, BA Recovery and Trainer facility at STC. Spend to date is £1.9m. Work is expected to be completed within the budget

	<p>in October 2021. We have agreed a contact variation of £42k for Compressor and furniture items that ISG have manufactured and installed;</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, including a number of minor variations totalling £13k. This project is now complete; • Enhanced facilities at Hyndburn fire station, which is under review prior to moving to the procurement phase; • The budget for enhanced facilities at Blackpool fire station has been moved into 2022/23; • £0.3m budgetary provision for replacement drill towers, as we are in the early stages of the procurement phase of the project, we are unlikely to fully spend this year's money and hence 50% has been moved into 2022/23; • £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, hence removing £0.475m of budget.</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 has been slipped into the next financial year.</p> <p>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, we are still reviewing the need to replace others, hence the slippage of £0.755m into future financial years.</p>

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

The following table details the anticipated slippage, outlined above, into 22/23. It is worth re-emphasising that these assumptions are estimates based on the current position, and similarly to the previous year, may be subject to change and that slippage simply represents a timing issue between financial years rather than incorrect budget requirements. In almost all cases, the slippage is caused by the ongoing effects of the pandemic, as departments are struggling with capacity issues when trying to catch up with delayed projects whilst continuing with business-as-usual activities, combined with lead times on procurement.

Item	Budget £m
Pumping appliances x 7	1.490
Command support units x 2	0.580
Turn table ladder (TTL) x 1	0.675
Water Tower x 2	1.000
Prime mover x 1	0.215
Pod x 1	0.028
CCTV on appliances	0.100
Enhanced station facilities at Blackpool	0.200
Drill tower replacements	0.150
ESMCP	1.000
Various ICT systems/hardware under review prior to replacement	0.755
Total	6.193

Offsetting this are £55k of contract variations outlined above in respect of BA Recovery and Trainer facility at STC and South Shore Station refurbishment and extension

The above changes bring the revised capital programme for 2021/22 to £4.383m.

As highlighted earlier we are seeing significant cost increases across various supply chains, and in particular in construction projects and this may affect some of the capital projects as they progress through the procurement stage.

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 July	Savings at end of July
	£m	£m	£m
Staffing, including post reductions plus management of vacancies	0.058	0.019	0.140
Reduction in the vehicle R&M budget in line with contract management	0.095	0.032	0.032
Procurement savings	-	-	0.013
Balance – cash limiting previously underspent non pay budgets	0.026	0.009	0.009
Total	0.179	0.060	0.194

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**

Table 2 Details of any background papers

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

Appendix 1

BUDGET MONITORING STATEMENT JULY 2021	Total Budget	Budgeted Spend to Jul 2021	Actual Spend to Jul 2021	Variance O/Spend (U/Spend)	Variance Pay	Variance Non-Pay	Forecast
	£000	£000	£000	£000	£000	£000	£000
Service Delivery							
Service Delivery	34,919	12,199	12,152	(47)	35	(82)	(245)
Prevention & Protection	2,714	790	779	(11)	(36)	25	12
Covid-19	-	(8)	(8)	(0)	-	(0)	(0)
Control	1,298	1,298	1,298	0	-	0	0
Youth Engagement (inc Princes Trust)	22	6	6	1	-	1	2
Special Projects (ISAR)	13	4	1	(4)	-	(4)	(1)
Strategy & Planning							
Service Development	1,461	472	460	(11)	5	(16)	(39)
Training & Operational Review	4,187	1,537	1,481	(56)	(50)	(7)	(20)
Fleet & Technical Services	2,732	1,085	1,088	3	2	1	8
Information Technology	2,721	1,435	1,455	20	(7)	27	(8)
Digital Transformation	347	116	100	(16)	(16)	-	-
People & Development							
Human Resources	731	249	280	30	17	13	15
Occupational Health Unit	244	79	75	(4)	(0)	(4)	(11)
Corporate Communications	337	112	92	(19)	(10)	(10)	(9)
Safety Health & Environment	242	70	69	(1)	2	(3)	(6)
Corporate Services							
Executive Board	1,039	391	395	4	6	(2)	(6)
Central Admin Office	828	271	229	(42)	(39)	(3)	(9)
Finance	148	49	50	0	(1)	1	3
Procurement	959	327	300	(27)	(14)	(13)	(50)
Property	2,072	742	628	(114)	(11)	(103)	(110)
External Funding	-	(18)	(21)	(3)	(0)	(3)	(0)
Pay							(3)
TOTAL DFM EXPENDITURE	57,014	21,204	20,908	(296)	(116)	(181)	(477)
Non DFM Expenditure							
Pensions Expenditure	1,287	660	692	32	-	32	(33)
Other Non-DFM Expenditure	(125)	(2,420)	(2,304)	116	(5)	122	358
NON-DFM EXPENDITURE	1,161	(1,760)	(1,612)	148	(5)	154	326
TOTAL BUDGET	58,175	19,444	19,296	(148)	(121)	(27)	(152)

CAPITAL BUDGET 2021/22	Revised Programme	Resources Sept	Remove slippage to future years	Revised Programme	Committed Exp	Year End Outturn
Vehicles						
Pumping Appliance	1.490	-	(1.490)	-	-	-
Other Vehicles	3.036	-	(2.498)	0.538	0.154	0.538
	4.526	-	(3.988)	0.538	0.154	0.538
Operational Equipment						
Operational Equipment	0.429	-	(0.100)	0.329	0.095	0.329
	0.429	-	(0.100)	0.329	0.095	0.329
Buildings Modifications						
STC Workshop	2.741	0.042	-	2.783	1.872	2.783
Enhanced station facilities	0.370	0.013	(0.200)	0.183	0.033	0.183
Drill tower replacements	0.300	-	(0.150)	0.150	-	0.150
SHQ Relocation	0.150	-	-	0.150	-	0.150
	3.561	0.055	(0.350)	3.266	1.905	3.266
ICT						
IT Systems	2.005	-	(1.755)	0.250	-	0.250
	2.005	-	(1.755)	0.250	-	0.250
Total Capital Requirement	10.521	0.055	(6.193)	4.383	2.155	4.383
Funding						
Capital Grant	1.000	-	(1.000)	-	-	-
Revenue Contributions	2.250	0.055	-	2.305	2.155	2.305
Earmarked Reserves	-	-	-	-	-	-
Capital Reserves	7.271	-	(5.193)	2.078	-	2.078
Total Capital Funding	10.521	0.055	(6.193)	4.383	2.155	4.383