

**LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE**

Meeting to be held on 1 December 2021

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

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Table 1 Executive Summary and Recommendations

<p>Executive Summary</p> <p>The report sets out the current budget position in respect of the 2021/22 revenue and capital budgets and performance against savings targets.</p> <p>Recommendation(s)</p> <p>The Committee is requested to:</p> <ul style="list-style-type: none"> • note and endorse the financial position; and • approve the virement to transfer £68k RCCO into the capital programme to fund the purchase of an all-terrain vehicle.

Information

The overall position at the end of September is an underspend of £0.2m, with a forecast outturn position of an underspend of £0.4m. Both are 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 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)		Reason
	30 Sept 2021	Forecast	
	£'000		
Service Delivery	(51)	(104)	<p>The underspend for both the first six months, and the year-end forecast, largely relates to the reduced activity levels in the following areas:</p> <ul style="list-style-type: none"> • 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;

			<ul style="list-style-type: none"> • Travel budgets, which are significantly underspent, it is expected that changing working practices for non-operational staff will mean reduced usage in the future
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 £1.7m to the end of September, as follows:</p> <ul style="list-style-type: none"> • Additional staff costs £0.5m • 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. The remaining has been partially utilised during October, with some staff overtime and the order for personal issue P3 masks costing £21k, leaving an estimated balance of £50k for use in November/December.</p>
TOR	(44)	(209)	<p>The current and forecast underspend largely relates to the position with apprentice levy income for wholtime 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 have been updated as follows:</p> <ul style="list-style-type: none"> • Following a nationwide review of the wholtime 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 will be met by 95% funding (known as co-investment) from the Government, which means we will

			benefit from £163k additional levy income in the financial year. TOR have been catching up on training during the year and spend on external training is currently in line with budget.
Property	(203)	(148)	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. The post was filled from the start of November; therefore the outturn forecast assumes that there will be some catch up spend for the final few months, reducing the current level of underspend.
Non DFM	273	582	Both the year to date and outturn overspend position reflect: <ul style="list-style-type: none"> • the £0.3m funding gap identified at the time of setting the budget in February • additional RCCO for the capital programme STC workshop and South Shore refurbishment previously approved, plus • the request for the approval of additional £0.1m RCCO in relation to the purchase of a second Haglund vehicle (see capital budget below).
Wholetime Pay (including associate trainer costs)	114	66	As previously reported there have been significantly more early leavers than allowed for in the budget. At the end of September, we had 10 fewer wholetime members of staff than budgeted, resulting in an underspend of circa £200k against budgeted establishment levels. It is extremely hard to predict leavers for the remainder of the year, however assuming that early leavers slow down in the second half of the year, we anticipate an underspend against establishment of approx. £0.5m. In addition, as previously reported, there is a shortfall in recruit numbers this year, with 35 recruits compared with a budgeted 48, which leads to a further underspend of £130k. Broadly speaking these are offset by:- <ul style="list-style-type: none"> • the unbudgeted grey book pay award of 1.5%, at a cost of £0.4m, as previously reported. • increased overtime costs, associated with covering vacancies, and staff absences,. (As the May recruits were posted to station in September the reliance on

			<p>overtime should reduce during the second half of the year.)</p> <p>The net of all the above factors is the forecast overspend of £66k, however it should be noted that if we continue to experience higher than expected early leavers this overspend may reduce or, in all probability, become an underspend.</p>
On Call Pay	(42)	(49)	<p>The position within On-call staffing is slightly underspent, with the unbudgeted pay award being more than offset by higher staff vacancies than budgeted.</p>
Support staff (less agency staff)	(228)	(239)	<p>The underspend relates to vacant posts across various departments, circa 12% of the establishment in early October, far in excess of the 3.75% vacancy factor built into the budget. This is partly offset by spend on agency staff, which amounted to £41k in the period. 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	(9)	(23)	<p>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.</p>

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 Resources Committee.

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, but are separated out below for visibility:

	S31 Covid grant £000	Protection uplift £000	Building Risk Review £000	Accreditation £000	Grenfell Infrastructure £000	Pensions Admin £000
Grant	(1,622)	(584)	(60)	(35)	(150)	(94)
Tfr in from budgets	(172)	-	-	-	-	-
Utilised	1,645	305	49	-	113	39
Bal Remining	(149)	(279)	(11)	(35)	(37)	(55)

Our forecast outturn assumes that all grant is spent in year, but any that is not will be carried forward as an earmarked reserve to use in the new year.

Capital Budget

The approved capital budget for 2021/22 stands at £4.4m.

Following discussions with the Chair and Vice Chair the budget has been increased to allow for the purchase of a second Haglund to enhance our operational response to emergencies in remote/inaccessible locations. These machines are ex-military machines which use rubber tracks instead of wheels, have low ground pressure, despite their size, and can cross soft ground with relative ease. This capability enables the Service to provide year-round emergency cover in response to natural disasters across the County, especially flooding, which is becoming more severe and intense. The original capital budget allowed for the purchase of one such machine, and we are currently working up a Climate Change Operational Response Plan which will recommend the purchase of a second machine. Initially we had planned to include this in next year's capital programme, but the supplier has confirmed that buying both at the same time will generate a saving of £9k across both machines.

To date we have committed £2.7m of the programme, with an anticipated year end spend of £4.0m, as set out below, with further details in Appendix 2: -

	Spend to 30 Sept 2021	
	£m	
Other vehicles	0.2	This budget allowed for the replacement of various operational support vehicles. Whilst some of the operational support vehicles have been ordered and delivered, others are still being reviewed and it appears increasingly unlikely that we will fully utilise the budget in year.
Operational Equipment/Future Firefighting	0.1	This budget allowed for <ul style="list-style-type: none"> replacement of capital items from the equipment replacement plan, namely defibrillators and a replacement drone which have been delivered replacement of light portable pumps, which have yet to be ordered

		<ul style="list-style-type: none"> • 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 <p>The anticipated slippage relating to the latter two programmes</p>
Building Modifications	2.4	<p>This budget allowed for:</p> <ul style="list-style-type: none"> • Provision of a new workshop, BA Recovery and Trainer facility at STC. Committed spend to date is £2.4m. Work has been completed and the building was handed over to the Authority at the end of October 2021. We have agreed a contract variation of £42k for Compressor and furniture items that ISG have manufactured and installed; • Enhanced station facilities comprising the final payment in respect of South Shore refurbishment and extension, and changes at Hyndburn fire station, where final designs are being reviewed prior to moving to the procurement phase, but where budget seems likely to slip into 2022/23; • Replacement drill towers where we have appointed a partner contractor to take the project forward, with a view to commencing construction prior to the year end; • Fees associated with progressing the business case for a SHQ relocation, which are unlikely to be spent in year. <p>As with the revenue budget, current departmental capacity to progress these was previously limited, hence the slippage indicated in Appendix 2.</p>
IT systems	-	<p>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 forecasting utilising the budget in the current year.</p>

The committed costs to date will be met by revenue contributions (£2.4m) and capital reserves (£0.3m). With the remaining in year spend being funded from a further £1.3m use of capital reserves.

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 Sept	Savings at end of Sept
	£m	£m	£m
Staffing, including post reductions plus management of vacancies	0.058	0.029	0.193
Reduction in the vehicle R&M budget in line with contract management	0.095	0.048	0.059
Procurement savings	-	-	0.031
Balance – cash limiting previously underspent non pay budgets	0.026	0.013	0.013
Total	0.179	0.090	0.297

The performance to date is already ahead of the annual target, largely due to staffing vacancies.

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**

Table 2 Details of any background papers

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

Appendix 1

	Total Budget	Budgeted Spend to Sep 2021	Actual Spend to Sep 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	17,723	17,792	69	120	(51)	(104)
Prevention & Protection	2,714	1,313	1,235	(78)	(102)	23	15
Covid-19	0	4	4	(0)	-	(0)	(0)
Control	1,298	1,298	1,298	0	-	0	0
Youth Engagement (inc Princes Trust)	22	157	158	1	-	1	1
Special Projects (ISAR)	13	6	(2)	(9)	-	(9)	(5)
Strategy & Planning							
Service Development	1,461	697	725	28	54	(26)	(52)
Training & Operational Review	4,179	2,208	2,030	(178)	(134)	(44)	(209)
Fleet & Technical Services	2,732	1,570	1,589	18	2	17	33
Information Technology	2,721	1,733	1,755	21	(13)	34	(10)
Digital Transformation	347	173	158	(15)	(15)	-	-
People & Development							
Human Resources	731	338	384	46	33	13	12
Occupational Health Unit	244	122	105	(17)	(3)	(14)	(17)
Corporate Communications	344	175	141	(35)	(17)	(17)	(34)
Safety Health & Environment	242	109	101	(8)	1	(9)	(6)
	-	-	-	-	-	-	-
Corporate Services							
Executive Board	1,039	546	555	9	11	(2)	(4)
Central Admin Office	828	407	339	(68)	(65)	(3)	(5)
Finance	148	74	74	(0)	(1)	1	2
Procurement	945	473	390	(83)	(11)	(73)	(135)
Property	2,072	1,074	855	(219)	(16)	(203)	(148)
External Funding	0	(12)	(17)	(5)	(0)	(5)	(10)
Pay							(243)
TOTAL DFM EXPENDITURE	57,000	30,188	29,666	(522)	(157)	(364)	(920)
Non DFM Expenditure							
Pensions Expenditure	1,287	837	843	5	-	5	(38)
Other Non-DFM Expenditure	(111)	(2,278)	(2,006)	273	(7)	279	582
NON-DFM EXPENDITURE	1,176	(1,441)	(1,163)	278	(7)	285	544
TOTAL BUDGET	58,175	28,747	28,503	(244)	(164)	(79)	(376)

	Revised Programme	Resources Nov	Revised Prog	Committed Exp	Year End Outturn	Slippage	Est final Cost	Over/ (Under) Spend
Vehicles								
Pumping Appliance	-	-	-	-	-	-	-	-
Other Vehicles	0.538	0.068	0.606	0.154	0.356	(0.250)	0.606	-
	0.538	0.068	0.606	0.154	0.356	(0.250)	0.606	-
Operational Equipment								
Operational Equipment	0.329	-	0.329	0.095	0.095	(0.212)	0.307	(0.022)
	0.329	-	0.329	0.095	0.095	(0.212)	0.307	(0.022)
Buildings Modifications								
STC Workshop	2.783	-	2.783	2.414	2.783	-	2.783	-
Enhanced station facilities	0.183	-	0.183	0.033	0.183	-	0.183	-
Drill tower replacements	0.150	-	0.150	0.000	0.150	(0.000)	0.150	-
SHQ Relocation	0.150	-	0.150	-	0.150	-	0.150	-
	3.266	-	3.266	2.447	3.266	(0.000)	3.266	-
ICT								
IT Systems	0.250	-	0.250	-	0.250	(0.000)	0.250	-
	0.250	-	0.250	-	0.250	(0.000)	0.250	-
Total Capital Requirement	4.383	0.068	4.451	2.697	3.967	(0.462)	4.429	(0.022)
Funding								
Capital Grant	-	-	-	-	-	-	-	-
Revenue Contributions	2.305	0.068	2.373	2.373	2.373	-	2.373	-
Earmarked Reserves	-	-	-	-	-	-	-	-
Capital Reserves	2.078	-	2.078	0.324	1.594	(0.462)	2.056	(0.020)
Total Capital Funding	4.383	0.068	4.451	2.697	3.967	(0.462)	4.429	(0.020)