

Lancashire Combined Fire Authority

Resources Committee

Meeting to be held on 30 March 2022

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 note and endorse the financial position.</p>

Information

The overall position at the end of January is an underspend of £0.3m, with a forecast outturn position of an underspend of £0.2m. 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: -

Table 2 Details of current and forecast budget position by department

Area	Overspend/ (Under spend)		Reason
	31 Jan 2022	Forecast	
	£'000		
Service Delivery	(130)	(153)	The underspend to the end of January and the year-end forecast both largely relate to the reduced activity levels in the following areas: <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 therefore we have reflected this reduction in next years' budget
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. As at the end of January we have fully utilised the £1.8m, as follows:</p> <ul style="list-style-type: none"> 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	(186)	(164)	<p>As previously reported, 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. We have reflected the revised assumptions in next years' budget. <p>TOR have been catching up on training during the year and spend on external training is currently in line with budget.</p>

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 means that there is an underspend to date. The post was filled from the start of November, and the outturn forecast assumes that there will 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 reflect: <ul style="list-style-type: none"> 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 are still assuming that the existing £2.4m pension accrual, set aside in previous years, will 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 have 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 is a shortfall in recruit numbers this year, with 35 recruits compared with a budgeted 48, These result in an anticipated underspend of approx. £0.6m at the end of March. 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. Continued increased overtime costs, associated with covering vacancies and staff absences. The net of all the above factors is the forecast overspend of £0.1m.
On Call Pay	(128)	(118)	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)	(308)	(259)	The underspend relates 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 is partly offset by spend on agency staff, which amounted to £102k in the period. As previously reported, the labour market remains extremely challenging, and we are experiencing difficulties in filling posts. As such we anticipate the high level of vacancies continuing until year end. This will be partly offset by the pay award for green book staff, which was agreed at the end of February at 1.75% and will be paid in March salary, which has been reflected in the forecast outturn position.
Apprentice Levy	(16)	(23)	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.

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:

Table 3 Details of utilisation of government grants received during the year

	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	1,754	431	60	3	132	94
Bal Remining	(40)	(153)	-	(32)	(18)	-

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 financial year.

Capital Budget

The approved capital budget for 2021/22 stands at £4.5m.

To date we have committed £3.3m of the programme, with an anticipated year end spend of £3.5m, as set out below, with further details in Appendix 2: -

Table 4 Details of current and forecast capital spend during the year by spend category

	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 have been ordered and delivered, we are still progressing the purchase of 9 operational support vehicles and 2 PODs, hence the slippage of £0.3m shown in appendix 2.
Operational Equipment/Future Firefighting	0.1	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 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 and will result in the budget being slipped into 2022/23
Building Modifications	2.8	3.0	This budget allowed for: <ul style="list-style-type: none"> • 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. • 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 £0.1m budget will slip into 2022/23;

			<ul style="list-style-type: none"> • Replacement drill towers where spend to date of £0.1m relates to various site investigation works and planning applications; • Fees associated with progressing the business case for a SHQ relocation, £0.2m, which will slip into 2022/23. <p>As with the revenue budget, current departmental capacity to progress these was previously limited, hence the slippage indicated above and detailed in Appendix 2.</p>
IT systems	0.1	0.1	<p>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). The balance of slippage relates to various items of 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.</p>
Total	3.3	3.5	

The committed costs to date will 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.

We continue to see 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. In addition, shortages of raw materials are more frequently being cited as reasons for delays in delivery of goods ordered, which has led to higher slippage in some instances than originally anticipated.

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: -

Table 5 Details of performance against savings targets set for the current year

	Annual Target	Target at end of Jan	Savings at end of Jan
	£m	£m	£m
Staffing, including post reductions plus management of vacancies	0.058	0.048	0.319
Reduction in the vehicle R&M budget in line with contract management	0.095	0.079	0.079
Procurement savings	-	-	0.234
Balance – cash limiting previously underspent non pay budgets	0.026	0.022	0.022
Total	0.179	0.149	0.653

The performance to date is already 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**

Table 6 Details of any background papers

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

Appendix 1

Table 7 Detailed analysis of current and forecast performance against the revenue budget by department and directorate

BUDGET MONITORING STATEMENT JANUARY 2022	Total Budget	Budgeted Spend to Jan 2022	Actual Spend to Jan 2022	Variance O/Spend (U/Spend)	Variance Pay	Variance Non-Pay	Forecast
	£000	£000	£000	£000	£000	£000	£000
Service Delivery							
Service Delivery	34,989	29,199	29,120	(80)	50	(130)	(153)
Prevention & Protection	2,497	2,186	2,150	(36)	(66)	30	29
Covid-19	0	(0)	0	0	-	0	0
Control	1,298	1,298	1,298	0	-	0	0
Youth Engagement (inc Princes Trust)	22	153	147	(6)	-	(6)	(10)
Special Projects (ISAR)	13	11	(1)	(11)	-	(11)	(14)
Strategy & Planning							
Service Development	1,518	1,260	1,258	(2)	70	(72)	(34)
Training & Operational Review	4,165	3,590	3,204	(386)	(200)	(186)	(164)
Fleet & Technical Services	2,732	2,401	2,428	27	1	26	31
Information Technology	2,791	2,451	2,448	(4)	(27)	23	88
Digital Transformation	347	289	275	(14)	(14)	0	0
People & Development							
Human Resources	731	600	628	28	35	(7)	(8)
Occupational Health Unit	244	204	177	(27)	(7)	(20)	(24)
Corporate Communications	350	294	250	(44)	(28)	(16)	(19)
Safety Health & Environment	242	187	158	(29)	(17)	(12)	(14)
Corporate Services							
Executive Board	1,039	874	878	4	20	(16)	(19)
Central Admin Office	758	620	564	(56)	(50)	(6)	(7)
Finance	148	123	124	1	(2)	3	3
Procurement	945	794	757	(37)	4	(41)	(49)
Property	1,902	1,597	1,354	(244)	(16)	(227)	(203)
External Funding	-	(7)	(9)	(2)	(0)	(2)	(2)
Pay							(270)
TOTAL DFM EXPENDITURE	56,731	48,124	47,207	(917)	(247)	(670)	(841)
Non DFM Expenditure							
Pensions Expenditure	1,387	1,276	1,312	36	-	36	(45)
Other Non-DFM Expenditure	58	(2,207)	(1,626)	581	(13)	595	654
NON-DFM EXPENDITURE	1,445	(932)	(314)	618	(13)	631	609
TOTAL BUDGET	58,175	47,192	46,893	(299)	(260)	(39)	(232)

Table 8 Detailed analysis of current and forecast performance against the capital budget by spend category

CAPITAL BUDGET 2021/22	Revised Prog	Committed Exp	Year End Outturn	Slippage	Est final Cost	Over/ (Under) Spend
Vehicles						
Pumping Appliance	-	-	-	-	-	-
Other Vehicles	0.606	0.315	0.341	(0.270)	0.611	0.004
	0.606	0.315	0.341	(0.270)	0.611	0.004
Operational Equipment						
Operational Equipment	0.329	0.095	0.095	(0.189)	0.284	(0.045)
	0.329	0.095	0.095	(0.189)	0.284	(0.045)
Buildings Modifications						
STC Workshop	2.783	2.737	2.783	-	2.783	-
Enhanced station facilities	0.183	0.040	0.040	(0.150)	0.190	0.007
Drill tower replacements	0.150	0.059	0.150	(0.000)	0.150	-
SHQ Relocation	0.150	-	-	(0.150)	0.150	-
	3.266	2.836	2.973	(0.300)	3.273	0.007
ICT						
IT Systems	0.250	0.055	0.055	(0.195)	0.250	-
	0.250	0.055	0.055	(0.195)	0.250	-
Total Capital Requirement	4.451	3.301	3.464	(0.954)	4.418	(0.033)
Funding						
Capital Grant	-	-	-	-	-	-
Revenue Contributions	2.373	2.373	2.373	-	2.373	-
Earmarked Reserves	-	-	-	-	-	-
Capital Reserves	2.078	0.928	1.091	(0.954)	2.045	(0.033)
Total Capital Funding	4.451	3.301	3.464	(0.954)	4.418	(0.033)