

**Status of Report: Public**

**Meeting: Combined Fire Authority**

**Date: 21<sup>st</sup> June 2023**

**Subject: Revenue & Capital Outturn 2022-23**

**Report by: The Treasurer**

**Author: Manjora Bisla (Finance Manager)**

**For: Decision**

### **Purpose**

1. The report informs the Combined Fire Authority (CFA) of the final revenue and capital outturn figures for 2022/23. The figures will be subject to External Audit review before the annual Statement of Accounts is submitted for approval to the CFA. The report also seeks approval to carry forward funds for specific purposes.

### **Recommendations**

2. The CFA is asked to:
  - a. Note the revenue and capital outturn position for 2022/23 (subject to the external audit).
  - b. Approve the carry forward of £5,171,000 of capital funding into 2023/24.
  - c. Approve the transfer of £395,000 from the Budget Strategy Reserve to fund the Revenue Overspend.
  - d. Approve the transfer of £763,000 from the Covid 19 Collection Fund Deficit Reserve to the Budget Strategy Reserve for use in future years.

### **Executive Summary**

3. The CFA agreed the revenue and capital budgets for 2022/23 at its meeting on 9 February 2022. Subsequently, carry forwards from 2021/22 were added and budget virements agreed during the year. These are reflected in the budget figures in this report.
4. The final outturn shows a £395,000 overspend against the revenue budget, due to higher pay and price inflation than anticipated when the budget was set. The capital programme shows slippage of £5,171,000 and an underspend of £200,000.
5. The draft Statement of Accounts and Annual Governance Statement was published on the CFA website on 31 May 2023, as required by regulations. This will initially be reviewed by the Corporate Governance Committee.

## **Revenue Budget**

6. The revenue budget shows an overall overspend of £395,000 across a number of budget headings. It is proposed to fund the overspend from the Budget Strategy Reserve.

<b>Table 1 - 2022/23 Revenue Budget</b>	<b>Annual Budget</b>	<b>Outturn</b>	<b>Variance Over/(Under) spend</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Employees	31,062	31,246	184
Planned increase in Support Services Capacity	722	269	(453)
Premises	2,500	3,170	670
Transport	836	1,061	225
Supplies and Services	3,451	3,774	323
Capital Financing	4,867	4,867	0
<b>Total Expenditure</b>	<b>43,438</b>	<b>44,387</b>	<b>949</b>
Income	(43,438)	(43,992)	(554)
<b>Overspend</b>	<b>0</b>	<b>395</b>	<b>395</b>

7. The main variances are summarised below:

### **Employees**

- i. Firefighters' pay overspent by a net £169,000. The budget included a 3% pay award for the full financial year equating to £657,000. The actual 7% pay award from July 2022 cost around £1,168,000. This is offset against an underspend of £342,000 as a result of a number of retirements leading to in year vacancies, along with a number of firefighters on trainee and development salaries.
- ii. Support staff pay underspent by £142,000. A pay award of £1,925 per person (FTE) for Green Book staff was agreed in November 2022, which cost an additional £156,000 above the 3% budgeted. However, this is offset by around £298,000 of underspends due to in year vacancies, employees not having yet reached the top of their salary bands and employees opting out of the Local Government Pension Scheme.

- iii. On Call staffing underspent by a net £39,000.

Staffing remained below full establishment. This continues the pattern of recent years, with work still underway to look into increasing the on-call availability across the service. An underlying underspend of £228,000 can be attributed to this.

During Summer 2022, there was a significant increase in incidents due to the very hot and dry weather. On call staff were pivotal to the response, costing £118,000.

Similarly to wholetime firefighters above, the pay award cost an additional £71,000.

- iv. Employee related insurance overspent by £105,000. This has seen significant increases over the years and additional budget has been set aside in 2023/24. Training costs overspent by around £72,000 since the restructure of the team and the introduction of new training courses. The remaining £19,000 overspend related to other employee related expenditure.
- v. Members will recall that the budget for 2022/23 included £722,000 of growth to fund additional posts to enable better wellbeing support and training to the Service, along with providing additional Fire Protection Officer and other posts. These posts are being recruited to at different times, generating one-off savings of £453,000. The recruitment of unfilled posts will continue into 2023/24.

### **Other Expenditure**

- vi. Premises costs overspent by £670,000.

Around £153,000 of this is due to the significant increase in energy costs, with electricity increasing by around 81% from October 2022.

Cleaning costs overspent by around £138,000 due to a number of years' inflationary increases and the unexpected recent spike in inflation which had not been captured in budgets. Cleaning provision and budgets are being reviewed. Buildings repairs and maintenance costs overspent by around £244,000 due to inflation increases as well as a rise in the number of unplanned repairs required throughout the year. Work is on-going with the Estates team to better understand future maintenance requirements.

Business rates overspent by £102,000 due to the review of the rateable value of one of the stations. This has resulted in a backdated payment from April 2017. This is currently being challenged and could result in a future refund.

Other premises costs overspent by £33,000, with £22,000 of this relating to increased insurance costs. A budget has been set aside in 2023/24.

- vii. Transport costs overspent by £225,000, largely due to higher fuel prices and higher consumption during the aforementioned summer 2022. Vehicles repairs and maintenance costs saw an overspend of around £58,000 due to inflationary pressures. There was a £21,000 saving on staff travel expenses.
- viii. Supplies and services overspent by £323,000. Around £197,000 of this relates specifically to increases in ICT contracts including Firelink and Microsoft 365. Further to this there was around a £49k unbudgeted cost for the new data warehouse project. Additional budget has been set aside in 2023/24 to fund future ICT budget pressures. The remaining overspends of £77,000 relate to operational equipment, professional and consultancy fees and other contracts, including the impact of higher inflation.

## **Income**

- ix. Net income of £554,000 was received over and above the budget.
- x. As expected, there was an income shortfall of £47,000 in relation to the Forge Health Ltd dividend which was not received. However, recharges for services to Forge Health were around £49,000 more than budgeted, due to the rise in applicable costs. Reports have previously been presented to the CFA in relation to Forge Health Ltd, which is in practice no longer trading and is in the process of being wound up.
- xi. Due to the rise in interest rates since the budget was set, interest received was £365,000 more than budgeted.
- xii. In June 2022 the Home Office announced reductions to the Firelink Revenue Grant by 20% each year, with the final grant to be paid in 2025/26. This has resulted in a grant shortfall of £20,000 for the 2022/23 financial year. Future budgets will reflect the winding down of the grant.
- xiii. Additional other unbudgeted grant income totalling £97,000 was received since the last report, including a business rates national levy account surplus, funding to support the rise in external audit fees and funding to support expenditure incurred to support the adherence to the Transparency Code.
- xiv. The remaining underspend of £110,000 is in relation to increased income generated by the Fire Protection and Fire Investigation team,

sponsorship income for the Staff Recognition event, increased business rates income and a surplus received from the Fire and Rescue Indemnity Company (a fire sector mutual which provides most insurance cover).

### **Capital Programme**

8. After inclusion of carry forwards totalling £3,799,000, the capital programme totalled £8,168,000. This is summarised in Table 2 below.

<b>Table 2 2022/23 Capital Programme</b>	Programme after Carry Forwards	Actual Outturn	Variance	Slippage	Forecast (Savings)/ Overspends
	£'000	£'000	£'000	£'000	£'000
Vehicles	3,390	1,436	(1,954)	1,754	(200)
Property	3,082	830	(2,252)	2,252	0
ICT	739	266	(473)	473	0
Equipment	606	208	(398)	398	0
Fire Control	301	57	(244)	244	0
Life Safety Sprinkler	50	0	(50)	50	0
<b>TOTAL</b>	<b>8,168</b>	<b>2,797</b>	<b>(5,371)</b>	<b>5,171</b>	<b>(200)</b>

### **Vehicles**

9. Slippage of £1,229,000 relates to the purchase of four appliances delayed until 2023/24 due to supplier resourcing issues. The slippage assumes all payments for these appliances will be made in 2023/24.

Two new variable response vehicles costing approximately £400,000 are expected to be with the service in Summer 2023.

Following a review of the existing vans, the majority of these are still in a good condition and do not need replacing. As a result, a saving of £200,000 has been identified which will contribute towards the funding of the new mobilising system. Around £118,000 of slippage relates to the remaining vans that are now due to be replaced in 2023/24. Options are being considered to explore the use of electric vans.

### **Property**

10. Around £482,000 of the slippage related to the ongoing works at Western Station. The main refurbishment of the station is now complete with only the replacement of the fuel tank and some remaining works left on the appliance bay. Other larger refurbishments at the other stations are currently at planning stages with works starting throughout 2023/24, accounting for the majority of the slippage.

**ICT**

11. The slippage of £473,000 relates to various projects including performance reporting software, Microsoft 365, Wi-Fi replacement and others.

**Equipment**

12. The outturn spend of £208,000 includes the successful acquisition of the following;

- New vehicles lifts at workshops
- Safe working at height equipment for workshops employees
- Defibrillators across stations

New thermal imaging cameras will be purchased in 2023/24, accounting for £16,000 of the slippage. The majority of the remaining £382,000 slippage relates to the replacement of the Breathing Apparatus Equipment with work to commence in 2023/24.

**Fire Control**

13. Slippage of £244,000 is attributable for the Fire Control Project. This represents the balance of the £1,800,000 capital grant awarded by the government for the Tri-Service Control Project. The slippage is anticipated to contribute towards funding the new mobilising system.

**Reserves**

14. The following earmarked reserve transfers are proposed:

- a) The £395,000 revenue overspend to be funded from the Budget Strategy reserve, as noted above.
- b) The £763,000 balance of the COVID-19 Collection Fund Deficit reserve to be transferred to the Budget Strategy reserve. The 2023/24 budget identified Collection Fund surpluses from Council Tax and Business rates, which are believed to eliminate the need to retain a separate Covid 19 Collection Fund Deficit reserve.

15. The table overleaf shows the reserves as at 31 March 2023, following the proposed transfers above.

<b>Table 3 – Reserves</b>	Balances at 31 March 2023 £000
General Reserve	3,408
Capital Fund Reserve	6,608
Estates Strategy Reserve	8,584
Budget Strategy Reserve	2,140
ESN Infrastructure Reserve	957
Recruitment Over - Establishment Reserve	394
Implementation of Grenfell Enquiry Recommendations	403
<b>TOTAL RESERVES</b>	<b>22,494</b>

16. Detail of reserves in the above table are provided below:

- a) The **General Reserve** was £3,408,000 after adding £421,000 as part of the 2022/23 revenue budget. This is the 'rainy day' reserve, to help the CFA manage any significant and unforeseen cost pressures.
- b) The **Capital Fund Reserve** is set aside to fund the capital programme. This avoids incurring any borrowing or leasing charges and will generate on-going revenue savings as current leases reach the end of their terms. The reserve has increased significantly due to the addition of the slippage reported above, for schemes that will continue into 2023/24. The reserve includes the £0.5m to be used towards the new mobilising system, by reducing spending on new vehicles.
- c) The **Estates Strategy Reserve** exists to facilitate a longer-term review of the operational estate. Improving the operational efficiency of buildings is a key plan in the strategy to improve operational effectiveness and increase financial resilience. The proposed new learning and development facility will be a significant call on the reserve. A further £2,854,000 was added as part of the 2023/24 budget, so the balance at 1 April 2023 was £11,438,000.
- d) The **Budget Strategy Reserve** stands at £2,140,000, after previously approved transfers and funding the 2022/23 net overspend. This also includes the proposed transfer of £763,000 from the Covid 19 Collection Fund Deficit Reserve. The 2023/24 budget identified Collection Fund surpluses from Council Tax and Business rates, which are believed to eliminate the need to for the Covid 19 Collection Fund Deficit reserve. The Budget Strategy Reserve is intended to support future years' budget strategies, which may now come to the fore sooner rather than later as inflationary cost pressures increase. It also includes the £130,000 balance of the development and improvement initiatives being taken forward by the Chief Fire and Rescue Officer from 2021/22 (the total approval having been £600,000, with £470,000 spent).

- e) The **ESN Infrastructure Reserve** is to provide funds towards any changes required to national secure communications networks, including the new mobilising system.
- f) The **Recruitment Over-Establishment Reserve** is to enable the service to temporarily recruit beyond establishment so that more trained personnel become available, without being concerned that the annual staffing budget will be exceeded. This is particularly pertinent as Day Crewing Plus arrangements are phased out, pension changes take effect and as the Service transitions towards the new mobilising system.
- g) The **Implementation of Grenfell Recommendations Reserve** is to help deliver outcomes that have arisen from the Grenfell incident recommendations, including the new mobilising system. Further grant funding of £262,000 has been announced for 2023/24.

### **Treasury Management**

17. Since the Corporate Governance Committee meeting on 15 March 2023, there have been no departures from the Treasury Management Policy Statement.

### **Bad Debts Written off**

18. As per the Financial Procedure Rules, the values of all amounts written off shall be reported annually to the CFA or Corporate Governance Committee, together with any individual write offs in excess of £2,000. During 2022/23, there was only one small debt write off of £2.00.

### **Report Implications/Impact**

#### 19. Legal (including crime and disorder)

There are no legal implications arising from this report.

#### 20. Financial (including value for money, benefits and efficiencies)

These are included in the main body of the report.

#### 21. Risk (including corporate and operational, health and safety and any impact on the continuity of service delivery)

It is important to be aware of how the budget is progressing as it enables early action to be taken to address any issues that arise.

#### 22. Staff, Service Users and Stakeholders (including the Equality Impact Assessment)

There are no staff, service user or stakeholder implications arising from this report.



### 23. Environmental

There are no environmental implications arising from this report.

### 24. Impact upon “Our Plan” Objectives

The Finance and Resources strategic aim of demonstrating value for money is supported by the effective monitoring and review of the revenue and capital budgets throughout the year.

## **Background Papers**

Budget Strategy 2022/23 to 2024/25 (CFA 9 February 2022)

<https://leics-fire.gov.uk/wp-content/uploads/2022/02/item-8-budget-strategy-2022-23-2024-25.pdf>

Revenue and Capital Outturn 2021/22 (CFA 27 July 2022)

<https://leics-fire.gov.uk/wp-content/uploads/2022/07/item-7-revenue-and-capital-outturn-202122.pdf>

Financial Monitoring to end July 2022 (CFA 28 September 2022)

<https://leicesterfire.wpenginepowered.com/wp-content/uploads/2022/09/item-8-financial-monitoring-to-the-end-of-july-2022-pages-17-22.pdf>

Financial Monitoring to end September 2022 (CGC 23 November 2022)

<https://leics-fire.gov.uk/wp-content/uploads/2022/11/item-9.pdf>

Budget Strategy 2023/24 to 2025/26 (CFA 8 February 2023)

<https://leics-fire.gov.uk/wp-content/uploads/2023/02/item-9-budget-strategy.pdf>

Financial Monitoring to end December 2022 (CGC 15 March 2023)

<https://leics-fire.gov.uk/wp-content/uploads/2023/03/item-12-financial-monitoring-to-the-end-of-december-2022.pdf>

Draft Statement of Accounts & Annual Governance Statement 2022/23

(To be reported to CGC 12 July 2023)

<https://leics-fire.gov.uk/wp-content/uploads/2023/05/leicestershire-fire-rescue-soa-2022-23-final-draft1.pdf>

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