

**Status of Report: Public**

**Meeting: Combined Fire Authority**

**Date: 02 October 2024**

**Subject: Revenue & Capital Outturn 2023-24**

**Report by: Head of Corporate Financial Services**

**Author: Paul Loveday (Finance Manager)**

**For: Decision**

### **Purpose**

- 1 The report informs the Combined Fire Authority (CFA) of the final revenue and capital outturn figures for 2023/24. 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 2023/24 (subject to the external audit).
  - b. Approve the carry forward of £4,868,000 of capital funding into 2024/25.
  - c. Approve the transfer of £23,000 from the Budget Strategy Reserve and £48,000 from the Recruitment Over-Establishment Reserve to fund the revenue overspend of £71,000.

### **Executive Summary**

- 3 The CFA agreed the revenue and capital budgets for 2023/24 at its meeting on 8 February 2023. Subsequently, carry forwards from 2022/23 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 £71,000 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 £4,868,000.
- 5 The draft Statement of Accounts and Annual Governance Statement was published on the CFA website on 12 August 2024, 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 £71,000 across a number of budget headings. It is proposed to fund the overspend from the Budget Strategy Reserve and the Recruitment Over-Establishment Reserve.

<b>Table 1 - 2023/24 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	33,641	34,258	617
Premises	3,218	3,299	81
Transport	986	896	-90
Supplies and Services	3,932	4,696	764
Capital Financing	6,036	6,024	-12
<b>Total Expenditure</b>	<b>47,813</b>	<b>49,173</b>	<b>1,360</b>
Income	-47,813	-49,102	-1,289
<b>Overspend</b>	<b>0</b>	<b>71</b>	<b>71</b>

- 7 The main variances are summarised below:

### Employees

The £617,000 overspend on employees' costs was due to the following reasons:

- i. Firefighter's pay has an overspend of £1,107 largely as a result of the recent pay awards agreed for 2022/23 (£460,000) and 2023/24 (£252,000) as well as the recruitment drive to bring in more firefighters ahead of the Day Crewing Plus exit in 2024/25.
- ii. A pay award of £1,925 per person (FTE) for Green Book staff was agreed on 1 November 2023, costing an additional £126,000 over and above the 4% budgeted. However, this is offset by £490,000 of underspends arising from vacant posts, 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 is operating at an underspend of £354,000, largely due to being below full establishment. Work is still underway to increase the on-call availability across the service. In comparison to the summer of 2022, where there was a significant increase in incidents due to the hot and dry weather, summer 2023 was relatively stable with less reliance on on-call staff.

- iv. Training has had an overspend of £315,000. This is due to delays in recruitment within the Learning and Organisational Development department, there has been a reliance on outsourcing training sessions at a higher cost.
- v. The remaining £87,000 underspend is largely due to savings in firefighter pension costs as the financial impact of previous ill health retirements wind down.

### **Other Expenditure**

- 8 Premises costs show an overspend of £82,000 at outturn. This was primarily due to overspends on building maintenance at £39,000, cleaning at £195,000 and refuse and trade waste at £22,000. These overspends were offset by savings on gas and electric of £196,000.
- 9 Transport costs showed a £90,000 underspend due mainly to an underspend on fuel costs of £46,000 and amendments to the insurance policy saving £25,000.
- 10 Supplies and services showed an overspend of £765,000. The main reasons for this were:
  - A £53,000 inflationary increase in the Firelink ICT contract.
  - A 5-year condition survey across the estate, an independent culture review of the Service and consultancy fees for the Reinforced Aerated Autoclaved Concrete (RAAC) cost approximately £161,000 to inform the forthcoming Five Year Estates Strategy
  - An overspend on computer software maintenance of £106,000
  - An overspend on uniforms of £425,000
- 11 Capital financing showed a marginal saving of £13,000 due to better than anticipated interest rates.

### **Income**

- 12 Actual outturn for income exceeded budget by £1,290,000. This was principally due to the following reasons:
  - Favourable interest rates compared to budget saw £588,000 more interest received.
  - £64,000 unbudgeted income received following the successful prosecution of a high-rise building owner for fire safety breaches.
  - Additional grant income that was not budgeted for was received as per the table below:

	£
Fire Special Grant	46,000
Levy Account Surplus Grant	75,543
Building Safety Regulator	134,020
Protection Uplift Grant (Grenfell Grant)	262,187
Transparency New Burdens	7,679
Green Plant and Machinery	11,721
<b>Total</b>	<b>616,791</b>

- Other fees and charges received were also higher than the budgeted income.

### Capital Programme

13 After inclusion of carry forwards totalling £5,171,000, the capital programme totalled £8,731,000. This is summarised in Table 2 below.

<b>Table 2 2023/24 Capital Programme</b>	Programme after Carry Forwards	Actual Outturn	Variance	Slippage	Forecast (Savings)/ Overspends
	£'000	£'000	£'000	£'000	£'000
Vehicles	3,090	1,741	(1,349)	1,349	0
Property	3,957	1,314	(2,643)	2,643	0
ICT	573	548	(25)	25	0
Equipment	817	90	(727)	727	0
Fire Control	244	170	(74)	74	0
Life Safety Sprinkler	50	0	(50)	50	0
<b>TOTAL</b>	<b>8,731</b>	<b>3,863</b>	<b>(4,868)</b>	<b>4,868</b>	<b>0</b>

### Vehicles

14 Vehicle purchases have been subject to supplier delays, resulting in slippage of £1,349,000. £1,100,000 of this relates to the supply of seven new appliances which are expected to arrive in Service in early 2024/25. The remaining slippage relates to several vans which have been delayed due to supplier resourcing issues.

### Property

15 The actual outturn for the year is £1,314,000, with £681,000 of this being for refurbishment projects at Western, Eastern and Market Bosworth Stations.

- 16 Unplanned urgent boiler replacement works at Eastern and Central Stations have been identified, costing £101,000; the estates contingency budget will fund part of these costs.
- 17 Following an independent review across the estate to determine the presence of Reinforced Aerated Autoclaved Concrete (RAAC), Wigston Station was identified as having RAAC. Whilst it does not have an operational impact on the Service, various options are being explored to address this.

## ICT

- 18 Actual outturn for the year has highlighted slippage of £25,000 relating to various projects including performance reporting software, Microsoft 365 and others.

## Equipment

- 19 The outturn of £90,000 includes actual expenditure on Road Traffic Collision (RTC) equipment and other firefighting equipment, including water rescue equipment. The majority of the slippage relates to the replacement of the Breathing Apparatus Equipment, with work to commence in 2024/25.

## Fire Control

- 20 Slippage of £74,000 for the Fire Control Project represents the balance of the 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

- 21 The CFA holds two types of reserve, usable reserves and unusable reserves, for example pensions reserve.
- 22 The £71,000 revenue overspend is to be funded from two usable reserves, the Budget Strategy Reserve and the Recruitment Over-Establishment Reserve.
- 23 The table below shows the usable reserves as at 31 March 2024, following the proposed transfers above.

<b>Table 3 – Usable Reserves</b>	Balances at 31 March 2024 £000
General Reserve	3,408
Capital Fund Reserve	7,731
Estates Strategy Reserve	8,584
Budget Strategy Reserve	2,005
ESN Infrastructure Reserve	742
Recruitment Over - Establishment Reserve	346
Implementation of Grenfell Enquiry Recommendations	251
<b>TOTAL RESERVES</b>	<b>23,067</b>

- 24 Detail of reserves in the above table are provided below:

- a) The **General Reserve** was unchanged at £3,408,000. 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. During the year the reserve was used to fund capital expenditure of £3.5m and spend on the mobilisation project of £445,000. The reserve has increased due to the addition of the slippage reported above, for schemes that will continue into 2024/25.
- c) The **Estates Strategy Reserve** was unchanged at £8,584,000. The 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.
- d) The **Budget Strategy Reserve** stands at £2,005,000, after providing £192,000 for the mobilisation project and funding the balance of overspending in 2023/24 of £23,000. 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.
- e) The **ESN Infrastructure Reserve** is to provide funds towards any changes required to national secure communications networks, including the new mobilising system. In 2023/24 £215,000 of the reserve was used to fund mobilisation project costs
- 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. In 2023/24 £47,000 of this reserve was used to fund overspendings on employees' costs.
- 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. In 2023/24 a net additional grant of £27,000 was received and £100,000 of the reserve was used for the mobilising system.

25 It should be noted that the £23.067 million usable reserves in Table 3 above are largely ear-marked. For example, the Estates Strategy Reserve includes £6.4 million for the new Learning and Development Facility and the Capital Fund Reserve is required to fund the Capital Programme. Also, some of the other reserves include government grants which are ring-fenced for specific purposes e.g. Grenfell and Emergency Services Network (ESN) reserves.

## The Mobilisation Project

- 26 This project commenced in year and is a £5 million project over 5 years to provide a full replacement for the current system.
- 27 The new system will provide enhanced functionality and be a cloud-based solution to align with the Service's "cloud-first" Strategy.
- 28 During the year costs of £952,000 were incurred for implementation and running costs. As planned and previously reported, these costs were funded from reserves as follows:

Reserve	£000
Capital Fund Reserve	445
Budget Strategy Reserve	192
ESN Infrastructure Reserve	215
Grenfell Reserve	100
<b>Total in 2023/24</b>	<b>952</b>

## Treasury Management

- 29 During the financial year 2023/24 there have been no departures from the Treasury Management Policy Statement.

## Bad Debts Written off

- 30 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 2023/24, there were no write offs.
- 31 Forge Health Limited was the trading arm of the CFA/LFRS for providing occupational health services to a wide range of clients. The decision was taken last year to close it and it ceased trading from 1 October 2023. The final accounts for the 12 months to 30 September 2023 have now been produced and filed at Companies House (filleted version). The accounts include debt write offs amounting to £3,654 (12 invoices) for monies owed to Forge Health.

## Report Implications/Impact

- 32 Legal (including crime and disorder)

There are no legal implications arising from this report.

- 33 Financial (including value for money, benefits and efficiencies)

These are included in the main body of the report. However, the CFA is required under legislation to balance its annual budget so the £71k deficit in 2023/24 has

been funded from both the Budget Strategy Reserve and the Recruitment Over-Establishment Reserve.

34 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.

35 Staff, Service Users and Stakeholders (including the Equality Impact Assessment)

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

36 Environmental

There are no environmental implications arising from this report.

37 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

Financial Monitoring to end September 2023 (CGC 22 November 2023)

<https://leics-fire.gov.uk/files/82/item-6-1.pdf>

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

<https://leics-fire.gov.uk/files/161/item-9-budget-strategy.pdf>

## Officers to Contact

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