

**Status of Report: Public**

**Meeting: Combined Fire Authority**

**Date: 27th July 2022**

**Subject: Revenue & Capital Outturn 2021-22**

**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 2021/22. The figures will be subject to External Audit review before the annual Statement of Accounts is submitted for approval to the CFA. It 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 2021/22 (subject to the external audit).
  - b. Approve the carry forward of £3,609,000 of capital funding into 2022/23.
  - c. Approve the transfer of the £321,000 revenue underspend to the Estates Strategy reserve to provide additional resources towards the new Learning and Development facility.
  - d. Approve the transfer of £573,000 of government grant accounted for in 2021/22 to an accounting reserve to enable the offsetting of collection fund deficits that are recognised in 2022/23 and future years.

### **Executive Summary**

3. The CFA agreed the revenue and capital budgets for 2021/22 at its meeting on 10 February 2021. Subsequently, carry forwards from 2020/21 were added and budget virements agreed during the year. These are reflected in the budget figures in this report.
4. The final outturn shows an underspend against the updated revenue budget of £321,000 and £3,609,000 slippage on the capital programme.

### **Background**

#### Revenue Budget

5. The revenue budget shows an overall underspend of £321,000 across a number of budget headings. It is proposed to move the underspend to the Estates

Strategy reserve to support the development of the new Learning and Development facility.

<b>Table 1 - 2021/22 Revenue Budget</b>	<b>Annual Budget £000</b>	<b>Outturn £000</b>	<b>Variance Over/(Under) spend £000</b>
Employees	30,111	29,329	(782)
Premises	2,459	2,653	194
Transport	983	893	(90)
Supplies and Services	3,471	3,772	301
Capital Financing	2,776	2,776	0
Contribution to/ (from) Reserves*	638	759	121
<b>Total Expenditure</b>	<b>40,438</b>	<b>40,182</b>	<b>(256)</b>
Income*	(40,438)	(40,616)	(178)
<b>Underspend</b>	<b>0</b>	<b>(434)</b>	<b>(434)</b>
One-off development spending by the CFO		113	113
<b>Net Underspend</b>		<b>(321)</b>	<b>(321)</b>

\* the contributions to/from reserves and the income outturn figures reflect the transfers to reserves set out in the financial monitoring report to the Corporate Governance Committee on 9 March 2022.

6. The main variances are summarised below:

### **Employees**

- i. Firefighters' pay underspent by £460,000. This is mainly due to firefighters on trainee and development salaries, along with a number of vacancies due to more retirements.
- ii. The budget included a pay award provision for the full financial year 2021/22. There is an underspend of £70,000 relating to the period April 2021 – June 2021, prior to the firefighters' pay award being implemented.

- iii. The support staff pay budget underspent by £101,000. This is due to several vacancies within the establishment, offset by temporary agency cover.
- iv. On call staffing underspent by £222,000 as result of being below establishment. Work is currently underway to look into increasing the on-call availability across the service.
- v. Employee insurance renewals have increased considerably over the past few years, resulting in an overspend of £70,000.

### **Other Expenditure**

- vi. Premises costs overspent overall by £194,000. Buildings repairs and maintenance overspent by around £144,000. This was largely due to a backlog of works that had been delayed in 2020/21 due to the Covid-19 pandemic. Additional cleaning shifts due to Covid-19 led to an overspend of £104,000. Utilities overspent by £40,000 and are expected to further rise in 2022/23. These overspends have been offset by a saving of £104,000 in business rates as a result of successful appeals against the 2017 revaluations. Other premises costs overspent by £10,000.
- vii. Transport costs underspent by £90,000. Overspends of £97,000 on vehicle maintenance were offset by underspends of £143,000 in relation to operating leases which have expired. In addition, the reduction in travel expenses saved £35,000. Other transport costs underspent by £9,000.
- viii. Supplies and services overspent by £301,000. This has been split between covid related and non-covid related as follows:
  - a. Covid-19 related overspend totalled £140,000, the majority relating to ICT. Consultancy costs for the new Data Warehouse project totalled £66,000 and Zoom licenses and other ICT equipment totalled £38,000. Zoom licenses will continue until the roll out of the new Microsoft 365 application.
  - b. Non-covid related costs overspent by £161,000. Both Subscriptions and Firelink contract charges overspent by £50,000. Around £27,000 was spent on a Health and Safety resource from Leicestershire Police. The 2022/23 budget includes funding for a Health and Safety Manager. Other overspends will be reviewed as part of the 2023/24 budget setting.

### **Income**

- ix. Net income of £178k was received over and above the income budget.
- x. Additional unbudgeted grant income totalling £91,000 was received since the last report, including additional Covid-19 funding, funding to

support the rise in external audit fees and funding to support expenditure incurred to support the adherence to the Transparency Code. Unbudgeted income of £65,000 was also received earlier in the year relating to the former business rates pilot scheme income. Around £12,000 was generated from the sale of stock and equipment throughout the year.

- xi. The income budget includes a dividend from Forge Health Ltd, the CFA's wholly owned occupational health trading company. This was not received as the company's trading continued to be impacted by Covid-19 and staffing difficulties. Future options for the company are being considered and a report will be presented to the CFA in September.
- xii. Government provided grant funding of £573,000 in 2021/22 towards collection fund deficits that occurred due to additional business rate reliefs and collection shortfalls on council tax and business rates during the pandemic. However, due to the way local tax is accounted for, in accounting terms the reliefs do not affect the Authority's income until 2022/23 and future years. Therefore, it is proposed to transfer this to a Covid-19 collection fund deficit reserve. Essentially this is an accounting reserve to match grant income with the associated shortfalls. The outturn table assumes this transfer.

### Capital Programme

7. After inclusion of carry forwards totalling £3,481,000 the capital programme for 2021/22 totalled £5,875,000. Of this, £2,266,000 has been spent and £3,609,000 is proposed to slip into 2022/23. This is summarised in Table 2 below.

<b>Table 2 2021/22 Capital Programme</b>	<b>Programme after Carry Forwards</b>	<b>Actual Outturn</b>	<b>Variance</b>	<b>Slippage</b>	<b>(Savings)/ Overspends</b>
	£'000	£'000	£'000	£'000	£'000
Vehicles	3,228	1,678	(1,550)	1,550	0
Property	958	199	(759)	759	0
IT and Equipment	1,321	372	(949)	949	0
Fire Control	318	17	(301)	301	0
Life Safety Sprinkler	50	0	(50)	50	0
<b>TOTAL</b>	<b>5,875</b>	<b>2,266</b>	<b>(3,609)</b>	<b>3,609</b>	<b>0</b>

### Vehicles

8. The majority of the slippage relates to six vehicles. £728,000 relates to the stage 3 payments of five new appliances that are expected to arrive within the next two

months. £692,000 of the slippage relates to the Aerial Ladder Platform which should arrive later this year. Members will recall the on-going delays to the delivery of vehicles. The remaining slippage relates to new Fire Protection Cars and other vehicles which will be purchased in 2022/23.

### **Property**

9. Around £250,000 of the slippage relates to the remodel of the HQ Canteen area into a Learning and Development Centre. The Covid-19 pandemic has also impacted the ability of contractors to source materials, resulting in delays in other property works causing further slippages.

### **IT and Equipment**

10. The slippage of £949,000 relates to ICT provisions and development and the operational equipment replacement programme. Various ICT projects have been delayed until 2022/23. The slippage has increased significantly from the previous financial report to the Corporate Governance Committee, as the previous forecast had been overstated in error. There have been delays in bringing in operational equipment.

### **Fire Control**

11. Slippage of £301,000 is attributable to 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. Derbyshire Fire and Rescue Service manages the project and further expenditure is anticipated from 2022/23 onwards.

### **Reserves**

12. As noted above, the following earmarked reserve transfers are proposed:
  - a) The £321,000 revenue underspend to be transferred to the Estates Strategy reserve.
  - b) The government grant of £573,000 to be transferred to the Covid-19 Collection Fund Deficit reserve to fund collection fund deficits that occurred during 2021/22, but which will not be recognised by the Authority until 2022/23 and future years.
13. The table below shows the reserves at 31 March 2022, following the transfers detailed above.

	Balances at 31 March 2022
	£000
General Reserve	2,987
Capital Fund Reserve	7,604
Estates Strategy Reserve	6,347
Budget Strategy Reserve	2,732
COVID 19 – Collection Fund Deficit Reserve	763
ESN Infrastructure Reserve	919
Recruitment Over - Establishment Reserve	400
Implementation of Grenfell Enquiry Recommendations	400
<b>TOTAL RESERVES</b>	<b>22,153</b>

14. Detail of reserves in the above table is as follows:

- a) The **General Reserve** was £2,987,000 after adding £400,000 as part of the 2021/22 revenue budget. This is the 'rainy day' reserve, to help the CFA manage any significant and unforeseen cost pressures. A further £421,000 was added as part of the 2022/23 budget, so the balance at 1 April 2022 was £3,408,000.
- 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 2022/23.
- 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 £2,308,000 was added as part of the 2022/23 budget, so the balance at 1 April 2022 was £8,655,000.
- d) The **Budget Strategy Reserve** stands at £2,732,000, after previously approved transfers. This reserve is intended to support future years' budget strategies, which may come to the fore sooner rather than later as inflationary cost pressures increase. It also includes the £487,000 balance of the development and improvement initiatives being taken forward by the CFO (the total approval having been £600,000, with £113,000 spent).
- e) The **COVID-19 Collection Fund Deficit Reserve** is set aside to be fully utilised in 2022/23 and future years. The government provided grant funding in 2021/22 to fund collection fund deficits that occurred due to additional business rate reliefs and losses in income from business rates and council tax due to the pandemic. However, due to the way local tax is accounted for, the reliefs do not affect the Authority until future years.

- f) The **ESN Infrastructure Reserve** is to provide funds towards any changes required to national secure communications networks.
- g) 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 and as pension changes take effect.
- h) The **Implementation of Grenfell Recommendations Reserve** is to help deliver outcomes that have arisen from the Grenfell incident recommendations. Further grant funding of £262,000 has been announced for 2022/23.

### **Treasury Management**

15. There were no departures from the Treasury Management Policy Statement, which was agreed by the CFA at its meeting on 10 February 2021 in respect of prudential indicators or sources and methods of borrowing.

### **Bad Debts Written off**

16. 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. The table below shows the total number of invoices and amounts written off in 2020/21 and 2021/22.

Debts Written off	£0-£2,000		Greater than £2,000		Total	
	Number of Invoices	Value	Number of Invoices	Value	Number of Invoices	Value
2020/21	0	£0.00	1	£3,603.68	1	£3,603.68
2021/22	3	£1,421.43	1	£2,488.22	4	£3,909.65

- a) One invoice to the value of £3,603.68 was written off in 2020/21. This related to an employee who had been overpaid. This was written off as part of a legal agreement with the individual.
- b) One invoice to the value of £2,488.22 was written off in 2021/22. This related to a pensioner who had died and been overpaid.

### **Report Implications/Impact**

17. Legal (including crime and disorder)

There are no legal implications arising from this report.

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

These are included in the main body of the report.

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

It is important the budget is monitored throughout the year as it enables early action to be taken to address any issues as they arise. The outturn position shows that the financial risk was well managed.

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

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

21. Environmental

There are no environmental implications arising from this report.

22. 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

Report to the Combined Fire Authority 10 February 2021 - Budget Strategy 2021/22 to 2022/23

<https://leics-fire.gov.uk/cfa-meetings-archive/#1655977450302-b338b896-e74b>

Report to the Combined Fire Authority 28 July 2021 - Revenue and Capital Outturn 2020/21

<https://leics-fire.gov.uk/wp-content/uploads/2021/07/agenda-item-8-1.pdf>

Report to the Corporate Governance Committee 15 September 2021 – Financial Monitoring to end of July 2021

<https://leics-fire.gov.uk/wp-content/uploads/2021/09/item-9.pdf>

Report to the Corporate Governance Committee 24 November 2021 – Financial Monitoring to end of September 2021

<https://leics-fire.gov.uk/wp-content/uploads/2021/11/agenda-item-8.-financial-monitoring-to-the-end-of-september-2021.pdf>

Report to the Corporate Governance Committee 9<sup>th</sup> March 2022 – Financial Monitoring to end of December 2021

<https://leics-fire.gov.uk/wp-content/uploads/2022/03/item-9-financial-monitoring-december-2021-28-02-2022.pdf>



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