

Status of Report: Public

Meeting: Corporate Governance Committee

Date: 15th March 2023

Subject: Financial Monitoring to end of December 2022

Report by: The Treasurer

Author: Manjora Bisla (Finance Manager)

For: Discussion and Decision

Purpose

1. The purpose of this report is to present the financial monitoring to the end of December 2022. This is the third report in the budget monitoring cycle and presents the key issues arising from the revenue budget and capital programme as at the end of December 2022 (Financial Period 9 in the 2022/23 year).

Recommendations

2. The Committee is asked to note the revenue budget and capital programme position as at the end of December 2022.

Executive Summary

3. This report indicates the current financial position compared to the Revenue Budget and Capital Programme.
4. The revenue position currently shows an overall forecast overspend of £319,000. Savings from the phased recruitment of new posts created as part of the 2022/23 budget and the On-Call service being below establishment have been forecasted.
5. The firefighters' pay award has not yet been agreed, but as offered exceeds the budget provision and the forecast outturn has been updated accordingly. The pay award for Green Book support staff was agreed in November 2022 and exceeds the budget as anticipated.
6. A number of other areas are showing significant overspends as a direct consequence of inflation, in particular energy and fuel resulting in an overall overspend. It remains uncertain how inflation will further impact this and future budgets.
7. Interest income has increased considerably as a result of rises in the Bank of England base rate.
8. The capital programme is reporting spend of £1,930,000 to date. Slippage of £5,327,000 has been identified and is being kept under review.

Revenue Budget

9. The revenue budget position is summarised in Table 1 below. The forecast overall overspend is approximately £319,000.

Table 1 - 2022/23 Revenue Budget	Annual Budget £000	Forecast Outturn £000	Variance £000
Employees	31,062	31,346	284
Planned increase in Support Services Capacity	722	269	(453)
Premises	2,500	2,932	432
Transport	836	1,022	186
Supplies and Services	3,451	3,704	253
Capital Financing	4,867	4,867	0
Total Expenditure	43,438	44,140	702
Income	(43,438)	(43,821)	(383)
Overspend	0	319	319

10. The following notes relate to issues currently highlighted:

Employees

- i. The pay award for firefighters has not yet been agreed. The recently revised 7% pay offer for 2022/23 (with a further 5% for 2023/24) has been recommended for acceptance by the FBU and was out for ballot at the time of writing.
- ii. Firefighters' pay is forecasting to overspend by £272,000, based on a 7% pay award effective from July 2022. The budget included a 3% pay award (for the full financial year) equating to £657,000. A 7% pay award from July 2022 would cost around £1,176,000. This is offset against a forecasted underspend of £247,000 as a result of retirements throughout the year, leading to in year vacancies, along with a number of firefighters on trainee and development salaries.
- iii. Support staff pay is forecasting to underspend by £81,000. A pay award of £1,925 per person (FTE) for Green Book staff was agreed in November 2022, which cost an additional £156,000 over and above the 3% budgeted. However, this is offset by around £237,000 of

underspends due to several in year vacancies, employees not having yet reached the top of their salary bands and employees opting out of the Local Government Pension Scheme.

- iv. Looking ahead, Members may also wish to note that a support staff pay offer of £1,925 per FTE has again been made for 2023/24. This exceeds the 4% assumed in the 2023/24 budget, as does the latest two-year offer to firefighters. The future implications of these pay awards are being considered and will be reflected in due course in the first budget monitoring report of 2023/24.
- v. On-Call staffing is currently forecasting an underspend of £75,000, largely due to being 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 underspend of £264,000 can be attributed to this. During the Summer of 2022, Members will recall that incidents increased due to the hot weather. On-Call staff were pivotal to the response during this period, costing an additional £118,000. The forecast also assumes a 7% pay award from July 2022, costing around £71,000. This results in an overall forecasted underspend of £75,000.
- vi. Employee related insurance is forecasting an overspend of £105,000. This has seen significant increases over the years and an appropriate budget has been set aside in 2023/24. Training costs are anticipated to overspend by around £66,000 since the restructure of the team, which is to be considered in more detail. The remaining £3,000 underspend relates to other employee related expenditure.
- vii. Members will recall that the budget 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 projected at this point. The recruitment of unfilled posts will carry forward into 2023/24.

Other Expenditure

- viii. Premises costs are forecasted to overspend by £432,000. Around £125,000 of this is due to the significant increase in energy costs, with electricity bills increasing by around 81% from October 2022. Cleaning costs are forecasting to overspend by around £127,000, apparently due to inflationary increases over the years, and will be reviewed further. Buildings repairs and maintenance costs are being closely monitored and are expected to overspend by at least £78,000.

Business rates are forecasting to overspend by around £102,000, due to a review of the rateable values of one the stations. This has resulted in a backdated payment from April 2017. The new valuation is being challenged and could result in a future refund.

- ix. Transport costs are forecasting a net overspend of £186,000, largely due to higher fuel prices and consumption, this is after being offset by a £24,000 projected saving on staff travel expenses. Included within the overspend is around £98,000 of additional fuel costs attributable to the rise in incidents during the hot weather last Summer.
- x. Supplies and services are forecasted to overspend by £253,000, due to inflation. Around £200,000 relates specifically to increases in ICT contracts including Firelink and Microsoft 365. Additional budget has been set aside in 2023/24 to fund future ICT budget pressures. The remaining overspends of £53,000 relate to operational equipment, professional and consultancy fees.

Income

- xi. The income forecast has seen a significant change since the last monitoring period, with an estimated underspend of £383,000.
- xii. An income shortfall of £47,000 is forecast relating to the Forge Health Ltd dividend. This is in line with 2021/22 and 2020/21, where a dividend was not received. Members will be aware that external trading has ceased and steps are being taken to wind up the company.
- xiii. Due to more favourable interest rates on the Authority's cash balances, as the base rate has risen, interest receivable is forecast to be £381,000 more than budget. This is a significant increase from previous forecasts.
- xiv. 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 current financial year. Future budgets will reflect the winding down of the grant.
- xv. The remaining underspend of £69,000 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 Insurance Company.

Capital Programme

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

Table 2 - 2022/23 Capital Programme	Programme after Carry Forwards	Actual YTD	Forecast Outturn	Slippage	Forecast (Savings)/ Overspends
	£'000	£'000	£'000	£'000	£'000
Vehicles	3,390	1,431	1,436	1,954	0
Property	3,082	163	897	2,185	0
ICT	739	207	272	467	0
Equipment	606	112	219	387	0
Fire Control	301	17	17	284	0
Life Safety Sprinkler	50	0	0	50	0
TOTAL	8,168	1,930	2,841	5,327	0

Vehicles

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

Two new variable response vehicles costing approximately £400,000 were expected to be received in 2022/23. Due to further delays, they are now expected to arrive in the Summer 2023.

Around £326,000 of slippage relates to 19 vans that were due to be replaced in 2022/23. This is currently under review as the existing vans are still in a good condition and may not need replacing. Options are being considered to explore the use of electric vans.

Property

13. A forecast spend of £897,000 has been estimated. Around £778,000 of this relates to the refurbishment project at Western Station, which is going as planned with the expected completion date still May 2023. Around £395,000 slippage has been identified for the refurbishment.

Other larger refurbishments at the other stations are currently at planning stages with works likely to start in 2023/24, accounting for the majority of the slippage.

ICT

14. ICT forecasted expenditure of £272,000 includes costs to replace servers, the Microsoft 365 upgrade, Wi-Fi replacement and other ICT Equipment.

The slippage of £467,000 relates to various projects including performance reporting software, Microsoft 365, Wi-Fi replacement and others.

Equipment

15. The forecasted spend of £219,000 assumes that the following will all be received by the end of March 2023:

- New vehicle lifts at workshops
- Safe working at height equipment for workshop employees
- Defibrillators across stations
- Thermal imaging cameras

The majority of the £387,000 slippage relates to the replacement of the Breathing Apparatus Equipment, with work to commence in 2023/24.

Fire Control

16. Slippage of £284,000 is forecasted 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. Derbyshire Fire and Rescue are the lead on this project and will keep LFRS informed on any planned expenditure for the year.

Treasury Limit Breach

17. Members' attention is drawn to a breach of a treasury limit. The funds held in bank accounts for day-to-day purposes exceeded the £850,000 limit approved by the CFA in February 2022. In practice, this limit had become too low. In February 2023, the CFA approved an increase to £1.6m with immediate effect. No funds were at risk or lost.

Report Implications/Impact

18. Legal (including crime and disorder)
There are no legal implications arising from this report.
19. Financial (including value for money, benefits and efficiencies)
These are included in the main body of the report.
20. 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.

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

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

22. Environmental

There are no environmental implications arising from this report.

23. 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>

Officers to Contact

Colin Sharpe, Deputy Director of Finance, Leicester City Council

Colin.sharpe@leicester.gov.uk

0116 454 4081

Manjora Bisla, Finance Manager, LFRS

Manjora.Bisla@leics-fire.gov.uk

0116 210 5503

This page is intentionally left blank