

Status of Report: Public

Meeting: Corporate Governance Committee

Date: 9 March 2022

Subject: Financial Monitoring to end December 2021

Report by: The Treasurer

Author: Manjora Bisla (Finance Manager)

For: Decision

Purpose

1. The purpose of this report is to present the financial monitoring to the end of December 2021. This report is the third in the budget monitoring cycle and presents the key issues arising from the revenue budget and capital programme as at the end of December 2021 (Financial Period 9 in the 2021/22 year).

Recommendations

2. The Committee is asked to:
 - a. Note the revenue budget and capital programme position as at the end of December 2021;
 - b. Approve the transfer of £305,100 grant income to implement the recommendations from the Grenfell Tower Inquiry to an earmarked reserve to fund expenditure in 2022/23; and
 - c. Approve the transfer of £37,700 grant income to resource the firefighters pension scheme remedy work to an earmarked reserve to fund future expenditure in 2022/23.

Executive Summary

3. This report indicates the current financial position compared to the updated Revenue Budget and Capital Programme.
4. After allowing for the previously approved transfer of £440,000 of additional income to reserves and the utilisation of £600,000 of underspends to fund priority development and improvement initiatives, the revenue position shows an overall forecast underspend of £90,000.
5. The underspends are mainly within employees and are as a result of vacancies throughout the year, staffing on lower points within grades and the on-going lower retained / on-call costs.

6. The capital programme is reporting spend of £1.113m to date. Slippage of £3.196m has been identified and is being kept under review.

Revenue Budget

7. The budget figures have been updated to reflect a number of virements (budget transfers) and corrections within expenditure categories agreed by the Chief Fire and Rescue Officer. These have had no impact upon net expenditure. The transfer of £440,000 of unbudgeted grant income to reserves, approved previously, is also reflected. Contributions to and from reserves are now shown separately.
8. The resulting updated revenue budget position is summarised in Table 1 below. The forecast overall underspend is approximately £90,000.

| Table 1 - 2021/22 Revenue Budget | Annual Budget £000 | Forecast Outturn £000 | Variance £000 |
|---|-------------------------------|--------------------------------------|--------------------------|
| Employees | 30,111 | 29,336 | (775) |
| Premises | 2,459 | 2,595 | 136 |
| Transport | 983 | 884 | (99) |
| Supplies and Services | 3,471 | 3,617 | 146 |
| Capital Financing | 2,776 | 2,776 | 0 |
| Contribution to/ (from) Reserves* | 638 | 1,669 | 1,031 |
| Total Expenditure | 40,438 | 40,877 | 439 |
| Income | (40,438) | (41,179) | (741) |
| Underspend | 0 | (302) | (302) |
| One-off spending proposed by the CFO | | 212 | 212 |
| Net Underspend | | (90) | (90) |

*Note that the contributions to reserves figures include a forecasted £388,000 unspent balance of the £600,000 one-off spending. The actual balance at the end of the year will be transferred to an earmarked reserve to be made available for use in 2022/23.

9. The following notes relate to issues currently highlighted:

Employees

- i. Firefighters' pay is forecasted to underspend by £336,000. This is due to firefighters on trainee and development salaries during the year, along with a number of vacancies due to a number of retirements. A new cohort of firefighter recruits is to join in March 2022 to fill some of the existing vacancies.
- ii. The firefighters' pay award of 1.5% from July 2021 had been agreed. The budget included a pay award provision for the full financial year 2021/22. There is a forecasted underspend of £70,000 relating to the period April 2021 – June 2021, prior to the pay award being implemented.
- iii. The support staff pay budget is currently forecasting an underspend of £43,000. This is due to several vacancies within the establishment, partly offset by temporary agency cover. A 1.75% pay award from April 2021 is assumed for support staff.
- iv. Retained staffing is currently forecasting an underspend of £280,000, largely due to being below full establishment.
- v. Overall, an underspend of approximately £775,000 is expected at this stage.

Other Expenditure

- vi. Premises costs are forecast to have a net overspend of £136,000. This is due to overspends of £232,000 relating to building maintenance, utilities & additional cleaning due to the Covid-19 pandemic. This is offset by an underspend of £106,000 relating to business rates as a result of the successful appeals against the 2017 revaluations.
- vii. Transport costs are forecast to underspend by £99,000. Forecasted overspends of £95,000 on vehicle maintenance have been offset by underspends of £143,000 in relation to operating leases which have expired. In addition, an underspend of £42,000 is forecasted due to the reduction of fuel consumption and travel expenses.
- viii. Supplies and services are forecast to overspend by £146,000. Most of this can be directly attributable to additional costs incurred as a result of Covid-19, for example IT developments and licences.

Income

- ix. Additional unbudgeted income of £440,000 relating to the New Dimensions Grant and the business rates pilot income was previously transferred to the Budget Strategy and COVID-19 Reserve.
- x. An income shortfall of £47,000 is forecast relating to the Forge Health Limited dividend. This is in line with 2020/21, where a dividend was not received as a result of lower levels of trading by Forge Health during the pandemic.
- xi. Additional unbudgeted grant income of £305,100 has been received since the last report to assist with implementing the national recommendations arising from the Grenfell Tower Inquiry. Funding of £37,700 has been received for the firefighters' pension scheme remedy work. The table assumes the income has been transferred to reserves, to be used in 2022/23.

Reserves

10. The reserve transfers for 2021/22 are detailed below:

| Table 2 - 2021/22 Reserve Transfers | Budget £000 | Forecast £000 | Variance £000 |
|--|------------------------|--------------------------|--------------------------|
| General Reserve | 400 | 400 | 0 |
| Budget Strategy Reserve | 238 | 238 | 0 |
| New Dimensions & Firelink Grant* | 0 | 375 | 375 |
| Business Rates Pilot Scheme* | 0 | 65 | 65 |
| Grenfell Protection Uplift Grant** | 0 | 305 | 305 |
| Pensions Admin Grant** | 0 | 38 | 38 |
| One-off Unspent balances of £600K | 0 | 388 | 388 |
| Transfer from Grenfell Reserve | 0 | (140) | (140) |
| Total Transfer to/ (from) Reserves | 638 | 1,669 | 1,031 |

*Approved by the Corporate Governance Committee on 15th September 2021

** Approval requested in this report

Capital Programme

11. After inclusion of carry forwards totalling £3,481,000 the capital programme totals £5,875,000. This is summarised in Table 3 below.

| Table 3 2021/22 Capital Programme | Programme after Carry Forwards | Actual YTD | Forecast Outturn | Slippage | Forecast (Savings)/ Overspends |
|--|--------------------------------------|--------------|---------------------|--------------|--------------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Vehicles | 3,228 | 714 | 1,440 | 1,788 | 0 |
| Property | 958 | 78 | 416 | 542 | 0 |
| IT and Equipment | 1,321 | 321 | 823 | 498 | 0 |
| Fire Control | 318 | 0 | 0 | 318 | 0 |
| Life Safety Sprinkler | 50 | 0 | 0 | 50 | 0 |
| TOTAL | 5,875 | 1,113 | 2,679 | 3,196 | 0 |

Vehicles

12. £898,000 of the current slippage relates to the Stage 2 and 3 payments of the five new appliances. Delivery is expected in June 2022. £609,000 of the slippage relates to the recently ordered Aerial Ladder Platform which should arrive in 2022/23. The remaining slippage relates to new Fire Protection Cars and other vehicles which will be purchased in 2022/23.

Property

13. In December 2021, the CFA approved the remodel of the HQ canteen area into a Learning and Development Centre. Slippage of £250,000 has been set aside for this work, which is expected to commence in 2022/23. The pandemic has also impacted the ability of contractors to source materials resulting in delays in other property works causing further slippages of £293,000.

IT and Equipment

14. Slippage of £498,000 is expected at this point. This will continue to be closely monitored.

Fire Control

15. Slippage of £318,000 is forecast 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. Final payments to the supplier are anticipated to occur in 2022/23.

Report Implications/Impact

16. Legal (including crime and disorder)

There are no legal implications arising from this report.

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

These are included in the main body of the report.

18. 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.

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

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

20. Environmental

There are no environmental implications arising from this report.

21. 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 2021/22 to 2022/23 (CFA 10 February 2021)

<https://leics-fire.gov.uk/wp-content/uploads/2021/02/cfa-budget-2122-final.pdf>

Revenue and Capital Outturn 2020/21 (CFA 28 July 2021)

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

Financial Monitoring to end July 2021 (CGC 15 September 2021)

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

Financial Monitoring to end September 2021 (CGC 24 November 2021)

<https://leics-fire.gov.uk/wp-content/uploads/2021/11/agenda-item-8>

Usage of in-year underspend (CGC 24 November 2021)

<https://leics-fire.gov.uk/wp-content/uploads/2021/11/agenda-item-9.-usage-of-in-year-underspend..pdf>

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