

Status of Report: Public

Meeting: Combined Fire Authority

Date: 28 July 2021

Subject: Revenue and Capital Outturn 2020-21

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 2020/21. The figures will be subject to External Audit Review before the final Statement of Accounts is submitted to the CFA for approval. The report also seeks approval to carry forward funds for specific purposes, which are detailed in paragraphs 8-15 of the report.

Recommendations

2. The CFA is asked to
 - a. Note the revenue and capital outturn position for 2020/21 (subject to the external audit).
 - b. Approve the carry forward of £3,372,000 of capital funding into 2021/22.
 - c. Approve the transfer of the revenue underspend and one-off monies totalling £1,336,000 to the Budget Strategy and COVID-19 Reserve to support future budgets.
 - d. Approve the transfer of £1,622,000 of government grant accounted for in 2020/21 to an accounting reserve to enable the offsetting of collection fund deficits that are recognised in 2021/22 and future years.

Executive Summary

3. The CFA agreed the revenue and capital budgets for 2020/21 at its meeting on the 12 February 2020. Subsequently, carry forwards from 2019/20 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 £1,336,000 and £3,372,000 slippage on the capital programme. The increased revenue underspend has occurred due to a refund on business rates and the

release of a pay award provision no longer required totalling £686,000. This is one-off money.

Background

Revenue Budget

5. The revenue budget shows an overall underspend of £1,336,000 over a number of budget headings. It is proposed to move the underspend to the budget strategy and COVID-19 earmarked reserve to support future budgets.
6. An underspend of £650,000 is attributable to on-going operations in 2020/21. This is in line with the forecast of £731,000 reported to the Corporate Governance Committee on 10 March 2021. Two further one-off adjustments brought into account at the financial year end relating to the business rates and firefighter pay have resulted in a further £686,000 underspend.

Table 1 - 2020/21 Revenue Budget	Annual Budget £000	Outturn £000	One-off £000	Variance (Under)/Over Spend £000
Employees	29,283	28,469	(352)	(1,166)
Premises	2,459	2,688	(334)	(105)
Transport	983	814	0	(169)
Supplies and Services	3,460	3,849	0	389
Capital Financing	3,328	3,333	0	5
Total Expenditure	39,513	39,153	(686)	(1,046)
Income	(39,513}	(39,804)	0	(291)
(Under)/Over Spend	0	(650)	(686)	(1,336)

7. The main variances are summarised below:

Employees

- i. Firefighters' pay underspent by £449,000. This is mainly relating to firefighters on trainee and development salaries during the year.

- ii. The support staff pay budget underspent by £76,000. This is due to several vacancies within the establishment, offset by temporary agency cover.
- iii. Retained staffing underspent by £268,000 due to the reduced level of activity experienced during the COVID-19 pandemic lockdown and being below full establishment.
- iv. A provision of £352,000 held for a potential backdated firefighters' pay award has been released as it is no longer required.

Other Expenditure

- v. Premises costs underspent overall by £105,000. A one-off refund of business rates relating to successful appeals against the 2017 revaluations totalling £334,000 (net of professional fees) was received. This was offset by a number of costs including £130,000 directly attributable to COVID, for example additional cleaning. The Authority received additional grant from the Government to fund costs associated with COVID. There was also an overspend on utilities of £47,000 and maintenance costs of £51,000, this includes works completed that are being reimbursed by East Midlands Ambulance Service (EMAS). These budgets will be reviewed.
- vi. Transport costs underspent by £169,000. Approximately £126,000 of this was due to reduced fuel consumption and travel expenses as a direct result of the pandemic.
- vii. Supplies and services overspent by £389,000. Of this £154,000 is directly attributable to additional COVID costs, for example additional ICT equipment and licenses. The Authority received an additional grant from the Government to fund costs associated with COVID. Professional fees overspent by £87,000, due to procurement and project management required to enable the change in payroll and pension providers. There was also significant overspends relating to ICT and subscriptions, which will be reviewed as part of the 2022/23 budget setting process.

Income

- viii. Additional unbudgeted grant income of £134,000 has been received since the last report, including additional Firelink funding and grant to support the pension remedy following the McCloud judgement. Costs of £66,000 were awarded by the court following a successful Fire Protection prosecution.
- ix. During 2020/21, EMAS entered a new lease agreement for building space at Coalville Station. This generated a further £40,000 of unbudgeted income. However, the majority of this amount was to

recover one-off costs incurred in making the space suitable for EMAS prior to them moving.

- x. In addition, the Government provided grant funding of £1,622,000 in 2020/21 towards collection fund deficits that occurred due to additional business rate reliefs and collection shortfalls on council tax and business rates due to 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 2021/22 and future years. Therefore, it is proposed to transfer this to a COVID-19 deficit reserve, essentially this is an accounting reserve to match grant income with the associated shortfalls. The outturn table assumes this transfer.

Capital Programme

8. After inclusion of carry forwards totalling £2,068,000 the capital programme for 2020/21 totalled £4,887,000. This is summarised in Table 2 below.

Table 2 2020/21 Capital Programme	Programme after Carry Forwards	Actual Outturn	Variance	Slippage	(Savings)/ Overspends
	£'000	£'000	£'000	£'000	£'000
Vehicles	2,586	1,045	(1,541)	1,541	0
Property	630	90	(540)	540	0
IT and Equipment	1,303	297	(1,006)	923	(83)
Fire Control	318	0	(318)	318	0
Life Safety Sprinkler	50	0	(50)	50	0
TOTAL	4,887	1,432	(3,455)	3,372	(83)

Vehicles

9. The slippage relates to five vehicles, four are appliances where the order has been placed but they will not be delivered until 2021/22. The fifth is the Aerial Ladder Platform, for which the procurement has started and is expected to be ordered during 2021/22.

Property

10. The majority of the slippage relates to the scheme to remodel the HQ canteen area, which has been delayed by the pandemic and will be subject to further review.

IT and Equipment

11. The slippage of £923,000 relates to ICT provisions and development and the operational equipment replacement programme. Savings of £83,000 have been declared in relation to operational equipment no longer required.

Fire Control

12. Slippage of £318,000 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. Final payments to the supplier are anticipated to occur in 2021/22.

Reserves

13. As noted above, the following earmarked reserve transfers are proposed:

- i. The £1,336,000 revenue underspend to be transferred to the Budget Strategy and COVID-19 reserve.
- ii. The Government grant of £1,622,000 to be transferred to the COVID-19 Deficit Reserve to fund collection fund deficits that have occurred during 2020/21 but will not be recognised by the Authority until 2021/22 and future years.

14. Following the transfers above, the current balances held in general and earmarked reserves will be:

	Funds available
	£000
General Reserve	2,587
Capital Fund Earmarked Reserve	6,481
Estates Strategy Reserve	6,026
Budget Strategy and COVID 19 Reserve	2,929
COVID 19 – Collection Fund Deficit Reserve	1,622
ESN Infrastructure Reserve	986
Recruitment Over - Establishment Reserve	400
Emergency Services Mobile Communications Programme Reserve	326
Implementation of Grenfell Enquiry Recommendations	319
Ill Health Retirement Reserve	153
TOTAL RESERVES	21,829

15. Detail on the main reserves in the above table are provided below:

- i. The **General Reserve** currently stands at £2,587,000 after £440,000 has been transferred in year as part of the 2020/21 revenue budget.

- ii. The **Capital Fund Earmarked Reserve** is set aside to fund the capital programme and future programmes. This avoids incurring any borrowing or leasing charges and will generate on-going revenue savings as current leases reach the end of their terms.
- iii. 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.
- iv. The **Budget Strategy and COVID-19 Reserve** includes both unspent covid funding for 2021/22 and a consolidation of a number of reserves including the former Management of Change Earmarked Reserves.
- v. The **COVID-19 Collection Fund Deficit Reserve** is set aside to be fully utilised in 2021/22 and future years. The Government provided grant funding in 2020/21 to fund collection fund deficits that had 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.

Treasury Management

- 16. There are no departures from the Treasury Management Policy Statement, which was agreed by the CFA at its meeting on the 12 February 2020 in respect of prudential indicators or sources and methods of borrowing.

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 that 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 12 February 2020 - Budget Strategy 2020/21 to 2021/22

<https://leics-fire.gov.uk/your-fire-service/decision-making/cfa-meetings/>

Report to the Combined Fire Authority 29 July 2020 - Revenue and Capital Outturn 2019/20

<https://leics-fire.gov.uk/wp-content/uploads/2020/07/revenue-and-capital-outturn-2019.pdf>

Report to the Corporate Governance Committee 16 September 2020 – Financial Monitoring to end of July 2020

<https://leics-fire.gov.uk/wp-content/uploads/2020/09/financial-monitoring-final.pdf>

Report to the Corporate Governance Committee 18 November 2020 – Financial Monitoring to end of September 2020

<https://leics-fire.gov.uk/wp-content/uploads/2020/11/item-6-budget-monitoring.pdf>

Report to the Corporate Governance Committee 10 March 2021 – Financial Monitoring to end of December 2020

<https://leics-fire.gov.uk/wp-content/uploads/2021/03/item10-financial-monitoring-december-2020.pdf>

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