

PROGRESS AGAINST REVENUE AND CAPITAL BUDGETS 2020/2021**REPORT OF THE CHIEF FIRE OFFICER****For Information****1. PURPOSE OF REPORT**

- 1.1 To report progress against the approved 2020/21 Budgets as at 31 January 2021 and forecast outturn at 31 March 2021.

2. RECOMMENDATION

- 2.1 That Members:

- note the financial positions in relation to revenue and capital budgets 202/21 as at 31 January 2021
- note the proposal to allocate the forecast uncommitted underspend of £0.22m to support the actions required to deliver the Grenfell Action Plan in 2021/22 will be reported to the full Authority

3. REVENUE POSITION AT 31 JANUARY 2021

- 3.1 As detailed in the Medium Term Financial Strategy (MTFS) report to the Fire Authority on 14th February, 2020 (7.1 refers), the budget for 2020/21 was set against a single year financial settlement and in the knowledge that the Authority's financial position was the most uncertain ever experienced due to financial factors relating to the unknown outcomes from the Business Rates Retention and Fair Funding Reviews; pay awards, Fire Fighters' pension contributions and Fire Fighters' Pension Scheme transition protections. This financial uncertainty meant that medium term financial planning was difficult and, at that time, the Authority acknowledged that a budget support fund reserve and a managed underspend would be necessary.
- 3.2 To add further uncertainty to the situation on March 11, 2020 the World Health Organisation declared a global pandemic, COVID-19 meaning that over the last year the Brigade has implemented and been operating within its business continuity arrangements which has required significant changes to service provision and ways of working; and further complexities to the Brigade's finances with in-year unexpected budget situations and challenges for 2020/21. Working within these unprecedented circumstances and in this continued unpredictable environment has made budget spending and profiling very difficult.

- 3.3 As highlighted at the Fire Authority on 12th February 2021 (7.1 refers) with the provision of a further single year settlement for 2021/22; no further clarity on other financial issues relating to reviews, pay, pensions and the on-going recovery from the pandemic the medium term financial situation remains uncertain. As such the Authority approved the managed forecasted underspend of £500k for 2020/21 to be earmarked to support the Budget Support Fund for use in 2021/22 onwards.
- 3.4 The overall position on the revenue budgets at the end of January 2021 is a forecasted underspend of £0.720m. This is a result of a number of key factors mainly relating to staffing as set out below.
- 3.5 Green Book staff are forecasted to underspend £95k and this relates to staff turnover which has been offset costs of agency staff for essential posts in health and safety.
- 3.6 Whole-time fire-fighters were two over establishment at the start of the year and are currently at a level of 11 under establishment. Our workforce planning arrangements predicted this under establishment and as such the Brigade scheduled a recruits' course for 2020. However, COVID-19 and associated restrictions meant that we were not able to undertake our recruitment activity as planned and hence vacancies and an associated underspend have materialised. The Executive Leadership Team has been monitoring this situation and is now able to progress with recruitment activity; a recruits' course is scheduled for July 2021.
- 3.7 Staff overtime is predominantly being met by the COVID grant although the forecast predicts a reduction towards the end of the year due to the vaccination programme, which will exceed the grant funding. The Brigade has bid for additional funding from the Tranche 2 Covid grant, the outcome is not yet known.
- 3.8 Significant savings have been identified in the employer contribution to the firefighter pension budget which relates to the transition of members from the 1992 to the 2015 Firefighters' Pension Scheme, which has a lower employer contribution rate.
- 3.9 The Retained Duty System (RDS) has carried an average of 18 vacancies throughout the year and this combined with less operational incidents during COVID has resulted in a forecasted underspend of £344k. Again COVID restrictions have hampered our ability to recruit fully, however we have been able to secure a RDS course in January 2021.
- 3.10 Significant savings have been realised in non-pay budgets through COVID related restrictions and the way in which the workforce has had to adapt to new ways of working in the virtual environment. Staff travel, attendance at seminars, conferences and training courses have all incurred minimal spend against budget. Significant costs have been associated with COVID, additional costs are being met by the grant.
- 3.11 The Brigade has managed to secure £1.344m additional grant funding in excess of £0.238m grants already budgeted. These are highlighted with an* in the table below.

GRANT	Business Area	Budgeted	Additional
Covid-19	Additional cost of Covid		*£584,099
BRR	Building Risk Review (High Rise)		*£60,000
Protection Uplift	Fire Protection Capability - IRMP		*£41,717
Grenfell	Grenfell Phase 1 improvements		*£90,968
New Dimension	National Assets & Related Training	£54,000	£33,284
ESMCP	Emergency Services Mobile Communications Programme		£534,014
FireLink	Radio Communications	£184,000	£0
Total Grants		£238,000	£1,344,082

3.12 Of these grants £0.551m is to be carried forward to 2021/2022 aligned to the associated future expenditure. This has been captured within the forecast.

3.13 As highlighted at earlier within this report the outturn position at 31 March 2021 shows an underspend of £0.72m with £0.50m being approved to support the Authority's Budget Support Fund. This leaves a forecast uncommitted underspend of £0.22m which is proposed to create a reserve to support the actions required to deliver the Grenfell Action Plan in 2021/22.

4 CAPITAL POSITION AS AT 31 JANUARY 2021

4.1 The capital programme for 2020/21 includes the planned projects for this financial year from the revised Asset Management Plan, together with those projects that slipped from 2019/20.

4.2 The capital budget for 2020/21 is £2.490m. Actual spend to January was £1.639m with a further £0.149m forecast by the end of the financial year. The forecast outturn position on the capital programme is therefore an underspend of £0.702m which is due to slippage in schemes as a result of COVID. These in the main relate to the procurement of fire appliances and a new Human Resource Management System. Funding relating to these schemes is being carried forward into 2021/22.

5 FINANCIAL IMPACT OF COVID-19 ON 2020/21 RESOURCES

5.1 As detailed in the 12th February 2021 MTFs report the amount of money the Authority will receive in 2020/21 for the Council Tax precept and share of Business Rates income is guaranteed at the level forecast when the budget was set. This income is paid from the Collection Funds managed by the four constituent councils.

5.2 However, Covid-19 has had an unprecedented impact on the 2020/21 Collection Funds and there will be deficits reflecting three factors:

- An increase in households eligible for Local Council Tax Support;
- Unachieved forecast council tax base growth arising from lower house building and;
- Lower Business Rates owing to company failures and a higher number Business Rate appeals.

- 5.3 This position has been recognised by the Government as they will allow 2020/21 Collection Fund deficits to be repaid over three financial years – i.e. 2021/22, 2022/23 and 2023/24. The Government will also provide grant support toward these deficits. The actual value of this grant will not be known until May/June 2021 when the four constituent authorities finalise the 2020/21 Collection Fund accounts for the year.
- 5.4 Based on the Government's grant scheme and information recently received from the four constituent councils the MTFS reported a forecast 2020/21 Council Tax Collection Fund deficit of £362,000, net of Government grant, and a Business Rates Collection deficit of £100,000. The total of these deficits is higher than the Collection Fund Deficit Reserve earmarked to manage this risk by £62,000, as summarised below:

Collection Fund Deficit Reserve

	Total £'000
Forecast Council Tax Collection Fund deficit	362
Forecast Business Rates Collection Fund deficit	100
Less - Collection Fund Deficit Reserve	(400)
Forecast Unfunded Deficit	62

- 5.5 To avoid the unfunded deficit impacting on the resources available for services in 2021/22 the Authority approved the MTFS proposal to allocate £62,000 from the Budget Support Fund to address the forecast unfunded deficit. The Authority noted that after reflecting this proposal and the approved support of the 2021/22 budget there remains an uncommitted Budget Support Fund of £4.806m to manage financial risks in 2022/23 and future years.

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