

**LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE**

Meeting to be held on 28 June 2017

**YEAR END REVENUE OUTTURN 2016/17
(Appendices 1 and 2 refer)**

Contact for further information:

Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

This report presents:

- the revenue outturn position, which feeds into the Income and Expenditure Statement within the main Statement of Accounts;
- the impact of the revenue outturn position on reserves;

Recommendation

The Committee is asked to:-

- ii) agree the virement in respect of S31 grant receivable;
- iii) note the outturn position on the 2016/17 revenue budget;
- iii) agree the proposed transfer of £14k to the DFM Reserve;
- iv) agree the proposed transfer of £97k to the PFI Equalisation Reserve;
- iv) agree the proposed net transfer of £206k from Other Earmarked Reserves and the purpose of these;
- ivi) note the increase of £258k in the General Reserve.

Information

The Revenue Outturn Position

The annual budget for the year has been amended to reflect a slight increase in the Section 31 grant due in respect of localised business rates for the preceding financial year, which has been subject to reconciliation by CLG. This has resulted in an additional £0.012m of Section 31 grant being received in 2016/17. The outturn position shows net expenditure of £55.556m against an updated budget of £55.623m, giving a total underspend for the financial year of £0.067m.

As reported throughout the year, the Service has identified savings at the earliest possible opportunity following the completion of reviews.

The final position within individual departments is largely consistent with that reported throughout the year, and specifically the forecast presented to the March Resources Committee. As previously reported, the majority of underspends during 2016/17 have again been reflected in 2017/18 budgets. The detailed final revenue position is set out in Appendix 1, with major variances being summarised below

(note as reported throughout the year the variances shown relate to non-pay spend, with the variance on the pay budget being shown separately): -

Area	Overspend / (Under spend)	Reason
	£'000	
Procurement	(105)	The outturn largely relates to underspends on items of Pooled PPE which had been ordered, but which weren't delivered before the end of March.
Property	(200)	The majority of the outturn position reflects the underspends against property repairs and maintenance, in line with the anticipated outturn position, whilst the departmental capacity is fully utilised by ongoing capital projects.
Service Delivery	(325)	As reported previously, the underspend relates to a combination of: <ul style="list-style-type: none"> • Smoke detectors underspent by £169k, in line with the anticipated outturn • Utilities underspent by £45k, slightly more than the previous forecast • The remainder relates to underspends across many budget headings, which have been factored into the 2017/18 budget.
Other Non DFM	1,698	As previously reported in outturn forecasts, the overspend position reflects the transfer into the Capital Funding Reserve, partially offset by budgets for the work streams below in relation to: <ul style="list-style-type: none"> • RDS Strengthening & Improving • Organisational Development • Wholtime recruits • ICT departmental staffing <p>Although work was progressed during the year on these work streams, as previously reported, the budgets weren't required in 2016/17. It should also be noted that the reversal of the earmarked reserve held to pay for RDS Bounty payments (see table on page 5) was credited to this budget.</p> <p>In addition, we funded the following capital programme changes from additional revenue contributions in year:</p> <ul style="list-style-type: none"> • Fleet Workshop increased costs • Lancaster rebuild increased costs • Purchase of land at Preston
Pay	(961)	The outturn position is in line with the forecast as presented at March resources, reflecting the following significant underspends: <ul style="list-style-type: none"> • Wholtime (£432k) due to early leavers since the 2016/17 budget was set in December 2015

		<ul style="list-style-type: none"> • Retained (£345k) due to vacant hours of cover across many locations as previously reported • Associate trainers (£96k overspent) reflecting usage of these to carry out training during the year, and in particular to create training capacity for the wholtime recruits course – additional trainer posts have been included in the 2017/18 budget • Support Staff (£259k) due to vacant posts across several budget headings, as reported throughout the year
--	--	--

Delivery against savings targets

The following table sets out the target level of efficiencies required in 2016/17 and performance against this target: -

	Annual Target	Target at end of Mar
	£m	£m
Staffing, including Emergency Cover Review outcomes, Prevention & Protection Review outcomes, functional saving reviews plus management of vacancies	1.512	2.474
Reduction in capital financing charges	0.284	0.284
Reduction in service delivery non pay budgets including the smoke detector budgets	0.145	0.313
Removal of the contribution to Greater Manchester FRS in respect of their Urban Search And Rescue team	0.122	0.122
Reduction in Fleet repairs and maintenance and fuel budgets	0.068	0.148
Reduction in Property repairs and maintenance and utilities budgets	0.034	0.177
Procurement savings (these are savings on contract renewals, such as waste collection and stationery contracts)	-	0.116
Balance – cash limiting previously underspent non pay budgets	0.337	0.337
Total	2.502	3.971

Performance exceeded the efficiency target, largely as a result of staffing savings made and Procurement savings in respect of contracts let during the year, which have been reported during the course of the year.

The Impact of the Revenue Outturn Position on Reserves

The Authority holds 3 specific earmarked reserves plus the general reserve and the impact of the year-end position on these are set out in the following table: -

	Earmarked Reserves				General Reserve	Total Reserve
	DFM Reserve	PFI Reserves	Other Earmarked Reserve	Total Earmarked Reserves		
	£m	£m	£m	£m	£m	£m
Balances at 31/3/16	0.414	3.440	5.664	9.518	10.186	19.704
Specific funds transferred to/(from) Earmarked Reserves	-	0.097	(1.965)	(1.868)	-	(1.868)
In-Year Revenue Outturn	0.014	-	(0.206)	(0.193)	0.260	0.067
Balances at 31/3/17	0.426	3.537	3.493	7.457	10.446	17.903

Devolved Financial Management (DFM)

This reserve enables budget holders to carry forward any surplus or deficit from one financial year to the next, giving greater flexibility in managing budgets thereby optimising the use of available financial resources and facilitating better value for money.

The principles of DFM are that any overspends and 50% of any underspends are carried forward into the new financial year, subject to a £25k maximum, other than where a specific business case could be made. The remaining 50% of any underspend is transferred to the authority's general reserve.

As a result of the above the DFM balance now stands at £426k, full details of which are set out in Appendix 2.

PFI Equalisation Reserve

This is used to smooth out the annual net cost to the Authority of both PFI schemes, and will be required to meet future contract payments. The level of reserves required is reviewed each year to ensure that it is sufficient given changes in forecast inflation and interest rates. The reserves have been updated during the year, resulting in a revised balance of £3.5m.

Other Earmarked Reserves

The reserve covers all funds, which have been identified for a specific purpose. The overall reserves level decreased from £5.7m to £3.5m.

The following table sets out the year end position in respect of each earmarked reserve, as at 31 March 2017:-

	Balance at 31 March 2016	Transfer 2016/17	Balance at 31 March 2017	
	£m	£m	£m	
New Dimensions Funding	0.384	-	0.384	To fund further training/ expenditure in respect of the New Dimensions and the USAR team in future years.
Retained Bounties	0.078	(0.078)	-	Following the introduction of the New Fire-fighters Pension Scheme in April 2006 all accrued liabilities in respect of retained bounties were frozen at that point in time, with the amounts being set aside in this earmarked reserve. As these bounties become payable the reserve is used to offset the revenue cost of this, with the final payment due in 2016/17 and any unused balance being reversed.
Insurance Aggregate Stop Loss (ASL)	1.408	0.092	1.500	The Authority's revised insurance arrangements from April 2016 reduced the aggregate stop loss (ASL) on the combined liability policy by £0.250m, hence current insurance policies have a combined ASL of £0.670m (the self-insured loss liability for vehicles standing at £0.254m and the combined insurance liability standing at £0.416m). As such the reserve, combined with amounts within the revenue budget, provides sufficient cover to meet 3 years' worth of the maximum possible claims, i.e. the ASL.
Training Centre	0.221	(0.168)	0.053	This reserve was utilised to fund site improvement works in 2016/17, and the balance will be used to fund the remaining works in 2017/18.
ICT	0.148	(0.027)	0.121	This reserve will be used on future ICT projects in order to deliver improved ways of working and facilitate ongoing efficiency savings.
Youth Engagement Scheme	0.038	0.037	0.075	This reserve reflects the anticipated cost of running the existing number of Fire Cadets units for three years.
Equipment	0.090	-	0.090	This reserve has been created to smooth the timing effects of replacing equipment, and meet large one off purchases that would otherwise directly impact the revenue budget and lead to large fluctuations in revenue budgets each year.

Restructuring	2.053	(2.053)	-	This reserve was created to fund costs associated with any future restructuring programme following the completion and implementation of several ongoing and planned reviews, as well as providing scope to fund invest-to-save initiatives which provide opportunities for on-going savings. The approved capital budget 2017/18-2021/22 included the transfer of this into the Capital Funding Reserve.
Princes Trust	0.184	(0.012)	0.172	This reserve is used to balance short term funding timing differences and also to mitigate the risk of loss of funding and enable short term continuation of team activities, whilst alternative funding is found.
PWLB Loan repayment penalty	1.000	-	1.000	This reserve was created to meet the potential penalty costs associated with repayment of the PWLB loans. This is a notional amount as any penalties incurred will depend on both forecast interest rates and the remaining time to maturity, hence the actual penalty will be considered as part of the decision to repay the loans in due course, with any such decision being considered as part of future Treasury Management Strategy.
CFS Booklet	0.011	(0.011)	-	This reserve related to external funding from a variety of sources that was fully utilised during 2016/17 to fund the provision booklets that assists in delivering multi agency advice to farmers whilst facilitating the gathering of site specific risk information for operational purposes.
Bequest	0.049	-	0.049	During 2015/16 the Authority unexpectedly received a share of an estate, and despite attempts we have been unable to identify a connection to the Authority, hence we have set aside this monies to fund a future improvement.
ESMCP Ringfenced Funding	-	0.049	0.049	As part of the Emergency Services Mobile Communication Programme (ESMCP), transitional funding was made available to fund costs associated with the transition to the new national arrangements, with any funds not spent in 2016/17 being carried forwards for use in future years.
	5.664	(2.171)	3.493	

General Reserve

This reserve carries forward all surpluses and deficits that arise in year. As members are aware it is designed to cover uncertainties in current and future years' budgets, to meet short term loss of funding and to provide flexibility in terms of medium term financial planning.

As a precepting Authority any surpluses or deficits are transferred into/out of reserves in order to meet future potential commitments, and as such the balance of the surplus on the revenue budget, £0.26m, has been transferred into this reserve. After allowing for these the Authority now holds a General fund balance of £10.4m.

As Members are aware, on an annual basis the Treasurer is required to report on the adequacy of reserves given the risks faced by the Authority, setting out the minimum (£2.8m) and maximum (£10.0m) level of reserves which are considered appropriate. Based on the position set out above the current level of general reserves is slightly in excess of this. However the draft revenue and capital budgets for 2017/18-2020/21 include potential drawdowns of around £7m, which would put this level of reserve towards the bottom end of our target range.

Financial Implications

As outlined in the report

Business Risk Implications

The outturn report enables stakeholders to monitor how the Authority has performed financially in the year

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact
Reason for inclusion in Part II, if appropriate:		

Appendix 1

BUDGET MONITORING STATEMENT Mar 2017	Total Budget	Actual Spend to Mar 2017	Variance O/Spend (U/Spend)	Variance Pay	Variance Non- Pay	Transfer (to)/from DFM reserves	Transfer (to)/from Earmarked reserves	Transfer (to)/from General reserves
DFM Expenditure	£000	£000	£000	£000	£000	£000	£000	£000
Service Delivery								
Service Delivery	31,347	30,059	(1,287)	(962)	(325)	-	-	(1,287)
Prince's Trust Volunteers Scheme	-	37	37	-	37	25	12	-
Training & Operational Review	2,745	2,919	174	112	62	7	167	-
Control	1,092	1,093	0	-	0	-	-	0
Special Projects	18	22	4	2	2	24	-	(20)
Strategy & Planning								
Service Development	3,673	3,496	(177)	(94)	(83)	-	-	(177)
Fleet & Technical Services	2,358	2,305	(53)	27	(80)	(15)	-	(38)
Information Technology	2,169	2,194	25	(3)	28	(2)	27	-
People & Development								
Human Resources	505	494	(11)	(30)	19	-	-	(11)
Occupational Health Unit	221	185	(36)	41	(77)	(18)	-	(18)
Corporate Communications	285	272	(14)	3	(17)	-	-	(14)
Safety Health & Environment	169	161	(8)	6	(14)	-	-	(8)
Corporate Services								
Executive Board	998	981	(17)	8	(25)	-	-	(17)
Central Admin Office	427	386	(41)	(44)	3	(2)	-	(39)
Finance	142	141	(1)	(2)	1	(1)	-	(1)
Procurement	741	611	(130)	(24)	(105)	(8)	-	(121)
Property	1,460	1,255	(205)	(5)	(200)	(25)	-	(180)
External Funding	-	2	2	2	0	2	-	-
TOTAL DFM EXPENDITURE	48,350	46,613	(1,737)	(963)	(774)	(14)	206	(1,930)
Non DFM Expenditure								
Pensions Expenditure	1,257	1,228	(30)	-	(30)	-	-	(30)
Other Non-DFM Expenditure	6,016	7,716	1,700	2	1,698	-	-	1,700
NON-DFM EXPENDITURE	7,274	8,944	1,670	2	1,669	-	-	1,670
TOTAL BUDGET	55,623	55,556	(67)	(961)	895	(14)	206	(260)

	DFM Balance B/Fwd	DFM Adjustment	Tfr from earmarked	DFM Journal	Utilised in year	DFM Balance C/Fwd
	£000	£000	£000	£000	£000	£000
Service Delivery						
Service Delivery	(150)	-	-	-	-	(150)
Prince's Trust Volunteers Scheme	(25)	37	(12)	25	-	-
Training & Operational Review	(7)	174	(167)	7	-	-
Control	-	-	-	-	-	-
Special Projects	(31)	24	-	24	1	(6)
Strategy & Planning						
Service Development	(25)	-	-	-	-	(25)
Fleet & Technical Services	(10)	(15)	-	(15)	-	(25)
Information Technology	2	25	(27)	(2)	-	-
People & Development						
Human Resources	(25)	-	-	-	-	(25)
Occupational Health Unit	(5)	(18)	-	(18)	-	(23)
Corporate Communications	(25)	-	-	-	-	(25)
Safety Health & Environment	(25)	-	-	-	-	(25)
Corporate Services						
Executive Board	(25)	-	-	-	-	(25)
Central Admin Office	(23)	(2)	-	(2)	-	(25)
Finance	(10)	(1)	-	(1)	-	(11)
Procurement	(17)	(8)	-	(8)	-	(25)
Property	-	(25)	-	(25)	-	(25)
External Funding	(14)	2	-	2	-	(11)
TOTAL DFM EXPENDITURE	(414)	193	(206)	(14)	1	(426)
Non DFM Expenditure						
Pensions Expenditure	-	-	-	-	-	-
Other Non-DFM Expenditure	-	-	-	-	-	-
NON-DFM EXPENDITURE	-	-	-	-	-	-
TOTAL BUDGET	(414)	193	(206)	(14)	1	(426)