

**LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE**

Meeting to be held on 27 September 2017

**FINANCIAL MONITORING 2017/18
(Appendices 1 and 2 refer)**

Contact for further information:

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Executive Summary

The report sets out the current budget position in respect of the 2017/18 revenue and capital budgets and performance against savings targets.

Recommendation

Resources Committee is requested to:

- note the financial position;
- endorse the contract variation approved for Lancaster Fire Station rebuild.

Information

Revenue Budget

The overall position as at the end of July shows an underspend of £0.2m. We are monitoring any trends that develop to ensure that they are reflected in future year's budgets, as well as being reported to Resources Committee. In terms of the year end forecast it is still early in the year, however the latest forecast shows an overall underspend of approx. £0.8m.

The year to date and forecast outturn positions within individual departments are set out in Appendix 1, with major variances relating to non-pay spends and variances on the pay budget being shown separately in the table below: -

Area	Overspend / (Under spend) to 31 July	Forecast Outturn at 31 March	Reason
	£'000	£'000	
Service Delivery	44	(20)	The overspend for the year to date relates to various headings, such as uniforms, training props for stations, and furniture, which are timing related and are expected to even out as the year progresses. The outturn underspend reflects all of the above, in addition to continued reduced spend on smoke detectors and fire safety consumables.

Property	63	86	The overspend position relates to premises repairs and maintenance, which is expected to continue for the remainder of the year.
Wholetime Pay	(202)	(579)	<p>The year to date position reflects:</p> <ul style="list-style-type: none"> • the number of wholetime recruits taking part in the June course is lower than budgeted, 32 compared with a budgeted 36 • in addition vacancies to date are higher than forecast due to the early leaver profile. • pension costs are lower than forecast as the number of personnel who are no longer on the FF pension schemes stands at 25, in addition staff continue to transfer from the 92 scheme to the 2015 scheme resulting in a reduction in employer pension contributions. • the annual pay award has not yet been agreed, which would have been effective from 1 July, this results in an underspend of approximately £24k at the end of July. • With the balance of the underspend relating to the timing of costs of ad hoc payments such as public holidays. <p>The majority of the forecast underspend is attributable to the shortfall in whole-time recruit numbers. As reported at the last Committee meeting the budget was set based on populating 2 recruits courses with 60 recruits in total whereas the actual number of recruits will total 49. It is also worth noting that the forecast outturn includes an assumed 1% pay-award, but as Members will be aware the Union and Employers Side have been unable to reach an agreement at the present time.</p>
RDS Pay	(37)	(104)	The forecast underspend on RDS pay arises as implementation of the revised pay scheme was delayed until June, pending its approval by the Fire Brigades Union regional council.

Associate Trainers	39	125	The annual training plan is used to match planned training activity to staff available at the training centre. Where this is not possible, associate trainers are brought in to cover the shortfall. The reintroduction of wholtime courses this year will lead to an increased use of there, hence the forecast overspend.
Support staff (less agency staff)	(81)	(241)	The underspend to date relates to vacant posts across various departments, which are in excess of the vacancy factor built into the budget. The majority of these vacancies have now been filled, although ICT and Knowledge Management remain problem areas. As highlighted at June's Committee meeting the budget included a sum of £180k to allow for the recruitment of apprentices in the second half of the year. This recruitment has been delayed whilst an appropriate mechanism is identified, meaning that it is unlikely that the allocation will be utilised in year. The previous report proposed that any underspend on this budget should be carried forward as an earmarked reserve to meet on-going costs in future years, hence as part of the year end process the eventual underspend will be transferred to earmarked reserves.

As the grey book pay award has not yet been agreed, the current forecast outturn underspend of £0.8m is calculated based on a 1% pay award. It is worth noting that each 1% pay award in excess of this equates to an additional cost of approx. £250k.

Capital Budget

The Capital Programme for 2017/18 stands at £13.533m. A review of the programme has been undertaken to identify progress against the schemes as set out below: -

Pumping Appliances	The budget allows for the purchase of 6 pumping appliances for the 2017/18 programme, for which the order was placed in February 2017. We currently anticipate that these appliances will be delivered in early 2018. In addition, the budget allows for the final stage payments in relation to the 5 pumping appliances carried from the 2016/17 programme, which were delivered during June and August. Spend to date relates to completion of the 2016/17 appliances, and the first stage payment of the 2017/18 appliances. As such we anticipate all of this budget being utilised by year end.
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Other vehicles	<p>This budget allows for the replacement of various operational support vehicles, the most significant of which are one of the Command Support Units and two Driver Training Vehicles. Requirements for these are currently being finalised with a view to undertaking a procurement exercise. However given requirements are still being finalised and taking account of anticipated lead times the final costs associated with the purchase of these will slip over into 2018/19.</p>
Operational Equipment/Future Firefighting	<p>This budget allows for the replacement of Thermal Imaging Cameras (TICs), for which the tender process is underway. The budget allows for the balance of the Future Fire Fighting equipment budget, the majority of which relates to the purchase of the technical rescue jackets, following the regional procurement exercise, which will be delivered by the end of the financial year.</p> <p>The replacement of Breathing Apparatus Radios will slip into 2018/19, as options are being reviewed including the potential to undertake a regional procurement process.</p>
Building Modifications	<p>Completion of the new joint Fire & Ambulance facility at Lancaster is scheduled for the last quarter of the current financial year. Contract variations of £41k have been agreed in respect of time delays due to the discharge of planning conditions, and upgrading the appliance bay doors.</p> <p>In terms of the redevelopment of Preston Fire and Ambulance Station we completed the purchase of the additional land, as agreed by the Committee, in June. However progress on agreeing the details of the development with NWAS have been slow, although they have now confirmed their agreement to the scheme meaning that we are now able to make progress on appointing consultants to take the project forward to detailed design and ultimately construction. This means that no building works will take place in the current financial year; hence the majority of capital budget will slip into the next financial year.</p> <p>The budget also allows for the outstanding sums due in respect of the replacement water main at STC and the completion of the Multi Compartment Fire Fighting prop, both of which have now been completed.</p> <p>The replacement Fleet workshop has been on hold pending further discussion with Police relating to a joint facility. However our requirements, which relate to an equipment maintenance facility, and Polices which relate to a vehicle maintenance facility, do not align, nor is the location deemed suitable for a vehicle maintenance facility. As such we will now progress this scheme, working up a detailed design prior to undertaking a tendering exercise. Whilst some costs may be incurred in the current year, the</p>

	<p>majority of this will slip into 2018/19.</p> <p>The final element of this capital budget relates to investment in training assets at both STC and service delivery locations to maximise the efficiency and consistency of staff training, and in particular RDS staff. The exact requirements remain subject to review, and a further update on progress will be presented to the Committee once requirements have been finalised. However given the timeframes in finalising requirements, designing and tendering a scheme it is highly unlikely that any significant costs will be incurred in the current year</p>
IT systems	<p>The majority of the capital budget relates to the national Emergency Services Mobile Communications Project (ESMCP), to replace the Airwave wide area radio system and the replacement of the station end mobilising system. The ESMCP project budget, £1.0m, is offset by anticipated grant, however the timing of both expenditure and grant is dependent upon progress against the national project. We are due to receive an update in November however it appears increasingly unlikely that we will incur significant costs in the current year.</p> <p>Given the delay on the ESMCP project the replacement station end project has also been delayed, however we are currently reviewing options to enhance resilience and ensure that any solution is compatible with the eventual ESMCP solution. As such we may incur some expenditure on this, but it is unlikely to be the full budgeted amount, £400k.</p> <p>The budget also allows for the replacement of the Services wide area network (WAN) providing an enhanced network and improving speed of use across the Service. The delivery of this is currently scheduled for the last quarter of the current financial year, when our existing contract expires.</p> <p>The balance of the budget relates to the replacement of various systems, in line with the ICT asset management plan. Whilst procurement work is on-going to facilitate the replacement of some of these systems in the current year, we are still reviewing the need to replace others. Hence further updates on progress will confirm which replacements are being actioned in the current year and anticipated spend profiles.</p>

Appendix 2 sets out the capital programme and the expenditure position against this, as reflected above. The costs to date will be met by both capital grant and revenue contributions.

Delivery against savings targets

The following table sets out the efficiencies identified during the budget setting process, hence removed from the 2017/18 budget, and performance to date against this target: -

	Annual Target	Target at end of July	Savings at end of July
	£m	£m	£m
Staffing, including Emergency Cover Review outcomes, LGPS scheme deficit removal plus management of vacancies	0.777	0.420	0.717
Reduction in service delivery non pay budgets including the smoke detector budgets	0.222	0.074	0.102
Reduction in Property repairs and maintenance and utilities budgets	0.215	0.072	0.008
Reduction in Fleet repairs and maintenance and fuel budgets	0.066	0.022	-
Reduction in insurance Aggregate Stop Loss	0.050	0.017	0.017
Reduction in capital financing charges	0.040	0.013	0.013
Procurement savings (these are savings on contract renewals, such as waste collection and stationery contracts)	-	-	0.045
Balance – cash limiting previously underspent non pay budgets	0.180	0.060	0.060
Total	1.550	0.677	0.954

The performance to date is ahead of target, a combination of the underspend on salaries for the first four months, plus savings in respect of procurement activities during the same period. It is anticipated that we will meet our efficiency target for the financial year.

Financial Implications

As outlined in the report

Business Risk Implications

None

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
None		
Reason for inclusion in Part II, if appropriate:		

APPENDIX 1

BUDGET MONITORING STATEMENT JUL 2017	Total Budget	Budgeted Spend to Jul 2017	Actual Spend to Jul 2017	Variance O/Spend (U/Spend)	Variance Pay	Variance Non-Pay	Forecast outturn
	£000	£000	£000	£000	£000	£000	£000
Service Delivery							
Service Delivery	30,778	10,572	10,422	(150)	(193)	44	(20)
Prince's Trust Volunteers Scheme	-	188	180	(8)	-	(8)	(3)
Training & Operational Review	3,420	1,290	1,264	(26)	(26)	0	(3)
Control	1,148	574	574	(0)	-	(0)	(0)
Special Projects	12	4	(4)	(8)	0	(9)	(6)
Strategy & Planning							
Service Development	3,770	1,302	1,275	(27)	(18)	(10)	(14)
Fleet & Technical Services	2,292	1,047	1,082	34	4	30	70
Information Technology	2,371	787	734	(53)	(47)	(6)	(5)
People & Development							
Human Resources	730	168	152	(15)	(16)	0	0
Occupational Health Unit	199	52	51	(1)	4	(6)	(10)
Corporate Communications	294	97	66	(31)	(14)	(17)	(41)
Safety Health & Environment	205	72	58	(14)	(1)	(13)	(14)
Corporate Services							
Executive Board	978	346	357	12	12	(0)	(3)
Central Admin Office	742	244	261	17	16	1	3
Finance	142	47	47	0	1	(0)	(1)
Procurement	790	254	242	(12)	(10)	(3)	(22)
Property	1,271	468	519	50	(12)	63	86
External Funding	-	(21)	(20)	1	2	(1)	(2)
Pay							(865)
TOTAL DFM EXPENDITURE	49,143	17,492	17,258	(233)	(298)	65	(849)
Non DFM Expenditure							
Pensions Expenditure	1,172	551	518	(32)	-	(32)	(44)
Other Non-DFM Expenditure	3,618	856	883	26	1	25	90
NON-DFM EXPENDITURE	4,791	1,407	1,401	(6)	1	(7)	46
TOTAL BUDGET	53,933	18,899	18,660	(239)	(297)	58	(804)

CAPITAL BUDGET 2017/18	Original Programme	Revised Programme	Projected to Date	Actual Expenditure	Variance to Date	Year End Forecast	Slippage	Estimated final Cost	Over/ (Under) Spend
Vehicles									
Pumping Appliance	1.195	1.728	0.790	0.783	(0.007)	1.728	-	1.728	(0.000)
Other Vehicles	0.464	0.901	0.191	0.158	(0.033)	0.330	(0.557)	0.887	(0.014)
	1.659	2.629	0.981	0.941	(0.039)	2.058	(0.557)	2.615	(0.014)
Operational Equipment									
Operational Equipment	0.420	1.112	0.020	0.020	0.000	0.645	(0.467)	1.112	-
	0.420	1.112	0.020	0.020	0.000	0.645	(0.467)	1.112	-
Buildings Modifications									
STC Redevelopment	-	0.793	0.160	0.158	(0.002)	0.250	(0.543)	0.793	-
Lancaster Replacement	-	2.119	0.645	0.642	(0.003)	1.900	(0.219)	2.119	-
Other works	4.750	4.900	0.150	0.151	0.001	0.151	(4.749)	4.900	-
	4.750	7.812	0.955	0.951	(0.004)	2.301	(5.511)	7.812	-
ICT									
IT Systems	1.350	1.980	0.067	(0.003)	(0.069)	(0.003)	(1.983)	1.980	-
	1.350	1.980	0.067	(0.003)	(0.069)	(0.003)	(1.983)	1.980	-
Total Capital Requirement	8.179	13.533	2.022	1.910	(0.113)	5.001	(8.518)	13.519	(0.014)
Funding									
Capital Grant	0.800	1.466	0.466	0.466	-	1.466	-	1.466	-
Revenue Contributions	2.000	2.000	1.556	1.444	(0.113)	2.000	-	2.000	-
Earmarked Reserves	0.049	0.249	-	-	-	-	(0.249)	0.249	-
General reserves	2.600	2.600	-	-	-	1.535	(1.065)	2.600	-
Capital Reserves	2.730	7.218	-	-	-	-	(7.204)	7.204	(0.014)
Total Capital Funding	8.179	13.533	2.022	1.910	(0.113)	5.001	(8.518)	13.519	(0.014)