

**LANCASHIRE COMBINED FIRE AUTHORITY  
RESOURCES COMMITTEE**

Meeting to be held on 29 November 2017

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

Contact for further information:

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

**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;
- subject to Planning Committee approval, approve the capital purchase of the water tower vehicle.

**Information**

Revenue Budget

The overall position as at the end of September shows an underspend of £0.3m. We continue to monitor any developing trends 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 the latest forecast shows an overall underspend of approx. £0.8m. Included within this are the following key areas which have all previously been reported to Resources Committee:-

- £300k underspend due to shortfall in W/T recruitment;
- £100k underspend due to delay in implementing revised RDS pay;
- £150k underspend within support staff pay due to apprentice posts budget not being fully utilised in year – this could be transferred into an earmarked reserve to pump prime future years apprenticeship posts subject to Resources Committee approval in May as part of the revenue outturn reporting.

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 30 Sept	Forecast Outturn at 31 March	Reason
	£'000	£'000	
Service Delivery	(16)	(43)	<p>The current and forecast outturn position reflect underspends on smoke detectors and income generated in relation to Drone courses run by LFRS. This is partly offset by overspends on new recruits uniforms/PPE, training mannequins for stations, and furniture.</p> <p>The forecast also includes £200k for the partial swap out of various items of PPE, gloves, boots and helmets, with the balance of costs, £300k, being met in 18/19.</p>
Fleet Services	62	23	<p>The current position relates to anticipated overspends on Breathing Apparatus and Hydrant repairs, less underspends on tyres and hose replacements/repairs. The outturn position also reflects anticipated income from the sale of vehicles before the year end.</p>
Human Resources	37	(65)	<p>The current overspend represents unbudgeted costs in relation to carrying out the wholtime recruitment exercise.</p> <p>The outturn position includes the remainder of the budget allocation for Organisational Development (currently £82k). Spends committed against this funding are an additional fixed term HR adviser, the leadership conferences and the management development programme.</p>
Property	120	99	<p>The overspend position relates to premises repairs and maintenance, which is expected to continue for the remainder of the year.</p>
Non DFM	61	169	<p>The overspend relates to funding of the posts created during the year in order to address new initiatives, such as the creation of a team to undertake preparatory work in advance of the new inspection regime, and the creation of additional posts to meet the workload demands arising from the roll out of National Operational Guidance and Learning</p> <p>It should be noted that the outturn position ignores year-end adjustments in respect of the final insurance position on the Aggregate Stop Loss and claims history, which will only be determined as part of the year end process.</p>

			All but 4 of the PWLB outstanding loans were repaid on 3 October, the resultant penalty of £635k will be met from earmarked reserves.
Wholetime Pay	(308)	(513)	<p>The year to date position reflects:</p> <ul style="list-style-type: none"> <li>• the number of whole time recruits taking part in the June course is lower than budgeted, 32 compared with a budgeted 36;</li> <li>• in addition vacancies to date are higher than forecast due to the early leaver profile;</li> <li>• 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;</li> <li>• the annual pay award has not yet been agreed, which would have been effective from 1 July, this results in an underspend of approximately £72k at the end of September;</li> <li>• With the balance of the underspend relating to the timing of costs of ad hoc payments such as public holidays.</li> </ul> <p>The outturn reflects all of the above, plus the shortfall in W/T recruitment for the January recruits course (17 as opposed to a budgeted figure of 24).</p> <p>The majority of the forecast underspend is attributable to the shortfall in whole-time recruit numbers. As reported previously the budget was set based on populating 2 recruits courses with 60 recruits in total whereas the actual number of recruits will total 49.</p> <p>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>
Control Staff	(22)	(44)	The underspend relates to a communications officer post, which is temporarily filled by a wholetime member of staff, whilst the substantive post holder is seconded to work for the Home Office on the national ESMCP project.
RDS Pay	(62)	(112)	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	55	142	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 wholetime courses this year will lead to an increased use of these, hence the forecast overspend.
Support staff (less agency staff)	(113)	(282)	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. Note agency staff costs to date of £74k are replacing vacant support staff roles, compared to support staff costs to date of £3,036k (i.e. agency staff are 2% of support staff). As highlighted previously 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 approx. £150k of the funding will not be utilised in the current 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, subject to Resources Committee approval in May as part of the revenue outturn reporting.
Apprentice Levy	(11)	(25)	The apprentice levy is payable at 0.5% of each months payroll costs, the budget for this was set at anticipated establishment levels, hence the underspend against this budget reflects the various pay budget underspends reported above.

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 additional 1% pay award will increase the current year costs by £0.25m.

In addition, the potential purchase of the Water Tower described in the capital budget section below would utilise £0.4m of the underspend, should it be approved by Planning Committee in November.

The Director of Corporate Services confirmed at the last Resources Committee meeting that any underspend would be carried forwards into general reserves, unless there was a specific requirement to transfer into earmarked reserves or capital funding reserves. He also confirmed that any proposed transfers into reserves would be considered as part of the outturn position that will be reported to the Resources Committee in June 2018.

### 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, however as it's only two months since the last report there isn't a significant change from the previous reported position: -

Pumping Appliances	<p>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.</p> <p>As such we anticipate all of this budget being utilised by year end</p>
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> <p>Members are aware that we currently lease a Water Tower vehicle, on trial as a new fire-fighting concept. This lease expires before the end of the financial year and options are being considered around the longer term capabilities of such a vehicle within our fleet. These options will be presented to Planning Committee for a decision, and should the potential purchase of the Water Tower be approved we would need to fund the capital cost by an additional contribution of £0.4m from the revenue budget (thus reducing the forecast underspend).</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</p>

	<p>during the first quarter of the new 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>
<p>Building Modifications</p>	<p>Completion of the new joint Fire and Ambulance facility at Lancaster has slipped into the first quarter of 2018/19, due to delays in the demolition of the existing station on the discovery of asbestos.</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. NWAS have now confirmed their intention to use the site as an ambulance station, therefore we are in the process of appointing consultants to take the project forward to detailed design and ultimately construction. This delay 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 had been on hold pending further discussion with Police relating to a joint facility. However as requirements did not align, and the location deemed unsuitable for a vehicle maintenance facility, 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 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, however given the timeframes in finalising requirements, designing and tendering schemes it is highly unlikely that any significant costs will be incurred in the current year, and a further update on progress will be presented to the Committee once requirements have been finalised.</p>
<p>IT systems</p>	<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 Sept	Savings at end of Sept
	£m	£m	£m
Staffing, including Emergency Cover Review outcomes, LGPS scheme deficit removal plus management of vacancies	0.777	0.630	1.080
Reduction in service delivery non pay budgets including the smoke detector budgets	0.222	0.111	0.144
Reduction in Property repairs and maintenance and utilities budgets	0.215	0.108	0.025
Reduction in Fleet repairs and maintenance and fuel budgets (although these budgets are underspent, they are offset by overspends on other budget headings as reported above)	0.066	0.033	-

Reduction in insurance Aggregate Stop Loss	0.050	0.025	0.025
Reduction in capital financing charges	0.040	0.020	0.020
Procurement savings (these are savings on contract renewals, such as waste collection and stationery contracts)	-	-	0.071
Balance – cash limiting previously underspent non pay budgets	0.180	0.090	0.090
Total	1.550	1.016	1.455

The performance to date is ahead of target, a combination of the underspend on salaries for the first six 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

<b>BUDGET MONITORING STATEMENT SEP 2017</b>	<b>Total Budget</b>	<b>Budgeted Spend to Sep 2017</b>	<b>Actual Spend to Sep 2017</b>	<b>Variance O/Spend (U/Spend)</b>	<b>Variance Pay</b>	<b>Variance Non-Pay</b>	<b>Forecast outturn</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Service Delivery</b>							
Service Delivery	30,869	15,644	15,262	(382)	(366)	(16)	(43)
Training & Operational Review	3,420	1,840	1,869	28	24	4	6
Control	1,148	861	861	(0)	-	(0)	(0)
Prince's Trust Volunteers Scheme	-	101	94	(7)	-	(7)	(5)
Special Projects	12	6	1	(5)	0	(5)	(7)
<b>Strategy &amp; Planning</b>							
Fleet & Technical Services	2,301	1,348	1,409	61	(1)	62	23
Information Technology	2,371	1,298	1,239	(59)	(66)	7	4
Service Development	3,770	1,906	1,898	(8)	(21)	13	(5)
<b>People &amp; Development</b>							
Human Resources	636	251	274	23	(13)	37	(65)
Occupational Health Unit	199	89	82	(7)	8	(15)	(19)
Corporate Communications	294	146	95	(51)	(24)	(27)	(44)
Safety Health & Environment	205	105	97	(8)	0	(8)	(16)
<b>Corporate Services</b>							
Executive Board	978	503	508	5	9	(4)	(14)
Central Admin Office	750	365	396	31	30	1	2
Finance	142	71	73	2	1	1	3
Procurement	790	388	393	4	(16)	20	(25)
Property	1,271	672	773	101	(18)	120	99
External Funding	-	(18)	(15)	2	3	(0)	(1)
Pay							(834)
<b>TOTAL DFM EXPENDITURE</b>	<b>49,157</b>	<b>25,576</b>	<b>25,309</b>	<b>(267)</b>	<b>(451)</b>	<b>184</b>	<b>(940)</b>
<b>Non DFM Expenditure</b>							
Pensions Expenditure	1,172	727	678	(49)	-	(49)	(51)
Other Non-DFM Expenditure	3,604	918	979	61	0	61	169
<b>NON-DFM EXPENDITURE</b>	<b>4,777</b>	<b>1,645</b>	<b>1,657</b>	<b>13</b>	<b>0</b>	<b>13</b>	<b>118</b>
<b>TOTAL BUDGET</b>	<b>53,933</b>	<b>27,220</b>	<b>26,966</b>	<b>(254)</b>	<b>(451)</b>	<b>197</b>	<b>(823)</b>

## APPENDIX 2

CAPITAL BUDGET 2017/18	Revised Programme	Nov Resources	Revised Programme	Projected to Date	Actual Expenditure	Variance to Date	Year End Forecast	Slippage	Estimated final Cost	Over/ (Under) Spend
<b>Vehicles</b>										
Pumping Appliance	1.728	-	1.728	0.873	0.864	(0.009)	1.728	-	1.728	-
Other Vehicles	0.901	-	0.901	0.213	0.169	(0.044)	0.334	(0.557)	0.891	(0.011)
	2.629	-	2.629	1.086	1.033	(0.053)	2.062	(0.557)	2.618	(0.011)
<b>Operational Equipment</b>										
Operational Equipment	1.112	-	1.112	0.020	0.020	-	0.020	(1.092)	1.112	-
	1.112	-	1.112	0.020	0.020	-	0.020	(1.092)	1.112	-
<b>Buildings Modifications</b>										
STC Redevelopment	0.793	-	0.793	0.220	0.224	0.004	0.250	(0.543)	0.793	-
Lancaster Replacement	2.119	-	2.119	0.800	0.794	(0.006)	1.900	(0.219)	2.119	-
Other works	4.900	-	4.900	0.150	0.151	0.001	0.151	(4.749)	4.900	-
	7.812	-	7.812	1.170	1.168	(0.002)	2.301	(5.511)	7.812	-
<b>ICT</b>										
IT Systems	1.980	-	1.980	0.100	-	(0.100)	0.140	(1.840)	1.980	-
	1.980	-	1.980	0.100	-	(0.100)	0.140	(1.840)	1.980	-
<b>Total Capital Requirement</b>	<b>13.533</b>	<b>-</b>	<b>13.533</b>	<b>2.376</b>	<b>2.221</b>	<b>(0.155)</b>	<b>4.523</b>	<b>(9.000)</b>	<b>13.522</b>	<b>(0.011)</b>
<b>Funding</b>										
Capital Grant	1.466	0.039	1.505	0.505	0.505	-	0.505	(1.000)	1.505	-
Revenue Contributions	2.000	-	2.000	1.651	1.493	(0.158)	2.000	-	2.000	-
Earmarked Reserves	0.249	-	0.249	0.220	0.224	0.004	0.249	-	0.249	-
General reserves	2.600	-	2.600	-	-	-	1.769	(0.831)	2.600	-
Capital Reserves	7.218	(0.039)	7.179	-	-	-	-	(7.168)	7.168	(0.011)
<b>Total Capital Funding</b>	<b>13.533</b>	<b>0.000</b>	<b>13.533</b>	<b>2.376</b>	<b>2.221</b>	<b>(0.155)</b>	<b>4.523</b>	<b>(9.000)</b>	<b>13.522</b>	<b>(0.011)</b>