

**LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE**

Meeting to be held on 21 March 2018

**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 are requested to note the financial position.

Information

Revenue Budget

The overall position as at the end of January shows a breakeven position. In terms of the year end forecast the latest forecast shows an overall overspend of approx. £0.1m. Members will recall at the last meeting we presented a forecast position of £0.8m underspend. The current forecast takes account of the following significant changes:-

- £0.4m purchase of the Water Tower vehicle following Planning Committee approval, as reported at last Resources Committee;
- £0.2m transfer the unspent Apprenticeship posts budget 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;
- £0.1m two ill health fire fighter retirements ;
- £0.2m in relation to Retained Duty System (RDS) which has seen a 3% growth in hours of cover/number of staff since the start of the financial year.

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 Jan	Forecast Outturn at 31 March	Reason
	£'000	£'000	
Service Delivery	27	2	<p>The current and forecast outturn position reflects underspends on smoke detectors and income generated in relation to drone courses run by LFRS. This is largely offset by overspends on new recruits uniforms/PPE, training mannequins for stations, and furniture.</p> <p>The budget also included £200k for the partial swap out of various items of PPE (gloves, boots and helmets) with the balance of costs being met in 18/19. This amount is unlikely to be incurred incurred during the current financial year, due to delays in expected delivery dates, and therefore this amount will need to be carried forwards into 18/19 as part of the year end process.</p>
Human Resources	(79)	(95)	<p>Both the current and forecast positions represent the unspent remainder of the budget allocation for Organisational Development (currently £106k) less overspends in relation to carrying out the wholetime recruitment exercise. Spends committed against the Organisational Development budget are an additional fixed term HR adviser, the leadership conferences and the management development programme.</p>
Property	131	127	<p>The overspend position relates to premises repairs and maintenance, which is expected to continue for the remainder of the year.</p>
Non DFM	438	551	<p>The overspend largely relates to funding of the purchase of the water tower, as agreed at the last Resources Committee meeting.</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>
Wholetime Pay	(279)	(368)	<p>The year to date position reflects:</p> <ul style="list-style-type: none"> the number of whole time recruits who took part in the June course was lower than budgeted, 32 compared with a budgeted 36

			<ul style="list-style-type: none"> • 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 balance of the underspend relating to the timing of costs of ad hoc payments such as public holidays <p>However it must be noted that the position to date only includes the interim pay award of 1% backdated to July, which is in line with the approved budget. Should the final pay award not be agreed by 31 March, we will review this as part of the year end outturn position reported to Resources Committee, where we will consider setting aside a further sum of money to fund any eventual agreement. (It is worth noting that each additional 1% pay award will increase the current year costs by £0.25m.)</p> <p>The outturn reflects all of the above, plus the shortfall in W/T recruitment on the recruits course began in January (15 as opposed to a budgeted figure of 24).</p>
Control Staff	(37)	(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	79	100	The forecast overspend on RDS pay arises following several successful recruitment campaigns, which have resulted in an overall increase of 3% in hours of cover/number of RDS staff since the beginning of the year.
Associate Trainers	116	153	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 has lead to an increased use of these, hence the forecast overspend.

Support staff (inc agency staff)	(262)	(196)	<p>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.</p> <p>Note agency staff costs to date of £108k are replacing vacant support staff roles, this still only accounts for 2% of total support staff costs).</p> <p>As highlighted above 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.</p>
Apprentice Levy	(18)	(23)	<p>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.</p>

The final proposed transfers into reserves will be considered as part of the outturn position that will be reported to the Resources Committee in May 2018.

Capital Budget

The Capital Programme for 2017/18 stood at £13.533m, but was amended to include both the inclusion of the Water Tower purchase and the removal of the Training Assets budget following the November Resources Committee and the December Fire Authority meetings. As such the revised capital programme now stands at £12.688m. A review of the programme has been undertaken to identify progress against the schemes as set out below: -

	Committed spend to Jan 17 £m	Forecast Slippage Into 1718 £m	
Pumping Appliances	1.728	-	The budget allowed 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 during March. 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.
Other vehicles	0.692	(0.598)	Committed spend related to the purchase of the Water Tower vehicle and various operational support vehicles during the year. In addition, this budget also allowed for the replacement of one of the Command Support Units and two Driver Training Vehicles. Requirements for these have not yet been finalised therefore as previously reported will slip over into 2018/19, along with the budget for any operational support vehicles not received during 2017/18.
Operational Equipment/Future Firefighting	0.020	(1.092)	Committed spend relates to the purchase of fog spikes within the future firefighting budget. This budget also allowed for the replacement of Thermal Imaging Cameras (TICs), for which was subject to a regional procurement exercise. The contract has recently been awarded, and an order placed, however the TICs have not yet been received, hence the budget will slip into 2018/19. In addition, the budget allowed 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 during the first quarter of the new financial year as previously reported.

			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.
Building Modifications	1.563	(4.262)	<p>Committed spend to date relates to completion of the replacement water main and the completion of the Multi Compartment Fire Fighting prop at STC, purchase of the land adjacent to Preston Fire Station in preparation for redevelopment, and sums paid to date in respect of the redevelopment of the Lancaster Fire & Ambulance facility, which is expected to complete during the first quarter of 2018/19.</p> <p>The slippage figure relates to:</p> <ul style="list-style-type: none"> • the redevelopment of Preston Fire and Ambulance Station where we are in the process of appointing consultants to take the project forward to detailed design and ultimately construction. The delay getting a commitment 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. • The replacement Fleet workshop is currently in the detailed design stage prior to undertaking a tendering exercise, hence will slip into 2018/19.
IT systems	-	(1.980)	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 will not incur any costs in the current year. We are still awaiting an updated project timeframe from the National project team.

			<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.</p> <p>The budget also allowed 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 first half of the next financial year.</p> <p>The balance of the budget relates to the replacement of various systems, in line with the ICT asset management plan. We are still reviewing these systems in terms of requirements, having experienced capacity issues within various departments. Hence it is clear that none of these will be committed within the current financial year.</p>
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Appendix 2 sets out the capital programme and the expenditure position against this, as reflected above. The costs to date will be met by capital grant, revenue contributions and reserves.

Delivery against savings targets

The following table sets out the savings targets 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 Jan	Savings at end of Jan
	£m	£m	£m
Staffing, including Emergency Cover Review outcomes, LGPS scheme deficit removal plus management of vacancies	0.777	0.727	1.129
Reduction in service delivery non pay budgets including the smoke detector budgets	0.222	0.184	0.239
Reduction in Property repairs and maintenance and utilities budgets	0.215	0.179	0.051

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	0.055	0.061
Reduction in insurance Aggregate Stop Loss	0.050	0.042	0.042
Reduction in capital financing charges	0.040	0.033	0.033
Procurement savings (these are savings on contract renewals, such as waste collection and stationery contracts)	-	-	0.097
Balance – cash limiting previously underspent non pay budgets	0.180	0.150	0.150
Total	1.550	1.372	1.802

The performance to date is ahead of target, a combination of the underspend on salaries for the year to date, plus savings in respect of procurement activities during the same period. We have already exceeded savings 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 JAN 2018	Total Budget	Budgeted Spend to Jan 2018	Actual Spend to Jan 2018	Variance O/Spend (U/Spend)	Variance Pay	Variance Non-Pay	Forecast outturn
	£000	£000	£000	£000	£000	£000	£000
Service Delivery							
Service Delivery	30,843	25,520	25,347	(173)	(199)	27	2
Training & Operational Review	3,457	2,846	2,964	117	58	59	17
Control	1,148	1,148	1,148	(0)	-	(0)	(0)
Prince's Trust Volunteers Scheme	-	130	77	(53)	-	(53)	(10)
Special Projects	12	10	4	(6)	1	(7)	(8)
Strategy & Planning							
Fleet & Technical Services	2,301	1,988	1,982	(6)	(4)	(2)	(21)
Information Technology	2,379	1,995	1,908	(88)	(104)	16	33
Service Development	3,786	3,162	3,171	9	(8)	17	4
People & Development							
Human Resources	658	545	452	(93)	(14)	(79)	(95)
Occupational Health Unit	199	162	149	(13)	13	(26)	(32)
Corporate Communications	294	244	182	(62)	(28)	(34)	(41)
Safety Health & Environment	202	169	163	(6)	1	(8)	(9)
Corporate Services							
Executive Board	978	817	831	14	14	(1)	(4)
Central Admin Office	750	613	638	25	27	(2)	(2)
Finance	142	118	122	4	(1)	5	6
Procurement	790	653	614	(38)	(9)	(30)	(40)
Property	1,271	1,152	1,253	101	(31)	131	127
External Funding	-	(5)	(2)	3	4	(1)	(2)
Pay							(378)
TOTAL DFM EXPENDITURE	49,210	41,267	41,002	(265)	(277)	13	(454)
Non DFM Expenditure							
Pensions Expenditure	1,172	1,079	1,058	(22)	-	(22)	(37)
Other Non-DFM Expenditure	3,551	1,266	1,581	314	(123)	438	551
NON-DFM EXPENDITURE	4,723	2,346	2,638	292	(123)	416	514
TOTAL BUDGET	53,933	43,613	43,640	28	(401)	429	61

APPENDIX 2

CAPITAL BUDGET 2017/18	Revised Programme	Resources Nov/ CFA Dec	Revised Programme	Projected to Date	Actual Expenditure	Variance to Date	Year End Forecast	Slippage	Estimated final Cost	Over/ (Under) Spend
Vehicles										
Pumping Appliance	1.728	-	1.728	1.728	1.728	(0.000)	1.728	-	1.728	(0.000)
Other Vehicles	0.901	0.405	1.306	1.160	0.692	(0.468)	0.680	(0.598)	1.278	(0.028)
	2.629	0.405	3.034	2.888	2.420	(0.468)	2.407	(0.598)	3.006	(0.029)
Operational Equipment										
Operational Equipment	1.112	-	1.112	0.927	0.020	(0.906)	0.020	(1.092)	1.112	-
	1.112	-	1.112	0.927	0.020	(0.906)	0.020	(1.092)	1.112	-
Buildings Modifications										
STC Redevelopment	0.793	-	0.793	0.661	0.224	(0.437)	0.250	(0.543)	0.793	-
Lancaster Replacement	2.119	-	2.119	1.766	1.188	(0.578)	1.900	(0.219)	2.119	-
Other works	4.900	(1.250)	3.650	3.067	0.151	(2.916)	0.151	(3.500)	3.651	0.001
	7.812	(1.250)	6.562	5.493	1.563	(3.931)	2.301	(4.262)	6.563	0.001
ICT										
IT Systems	1.980	-	1.980	1.650	-	(1.650)	-	(1.980)	1.980	-
	1.980	-	1.980	1.650	-	(1.650)	-	(1.980)	1.980	-
Total Capital Requirement	13.533	(0.845)	12.688	10.958	4.003	(6.955)	4.728	(7.932)	12.660	(0.028)
Funding										
Capital Grant	1.505	-	1.505	0.505	0.505	-	0.505	(1.000)	1.505	-
Revenue Contributions	2.000	0.405	2.405	1.651	2.052	0.401	2.405	-	2.405	-
Earmarked Reserves	0.249	-	0.249	0.328	0.224	(0.103)	0.249	-	0.249	-
General reserves	2.600	-	2.600	8.474	1.221	(7.253)	1.569	(1.031)	2.600	-
Capital Reserves	7.179	(1.250)	5.929	-	-	-	-	(5.901)	5.901	(0.028)
Total Capital Funding	13.533	(0.845)	12.688	10.958	4.003	(6.955)	4.728	(7.932)	12.660	(0.028)