

LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE

Meeting to be held on 29 June 2016

YEAR END REVENUE OUTTURN 2015/16

(Appendix 1 refers)

Contact for further information:

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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:-

- agree the virement in respect of S31 grant receivable;
- note the outturn position on the 2015/16 revenue budget;
- agree the proposed transfer of £43k from the DFM Reserve;
- agree the proposed transfer of £147k to the PFI Equalisation Reserve;
- agree the creation of a £1m earmarked reserve to fund potential penalties associated with the future repayment of Public Works Loan Board (PWLb) debt;
- agree the proposed net transfer of £824k from Other Earmarked Reserves and the purpose of these;
- note the decrease of £478k in the General Reserve.

Information

The Revenue Outturn Position

The annual budget for the year has been amended to reflect the increased Section 31 grant due in respect of localised business rates. At the time of setting the precept/budget the Section 31 grant is based on estimated figures which are then updated once final numbers are known, and which this year has resulted in an additional £0.23m of Section 31 grant being received. The outturn position shows net expenditure of £57.49m against an updated budget of £56.97m, giving a total overspend for the financial year of £0.52m. It should be noted that this position includes additional costs associated with the December floods of £0.177m, offset by a Bellwin claim for funding of £0.063m.

As reported throughout the year, the Service has identified savings at the earliest possible opportunity following the completion of reviews, and therefore held vacancies in advance of planned future establishment reductions, utilising this underspend to pay off a further £3.2m against the LGPS deficit during the year.

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 2015/16 have been reflected in 2016/17 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) £'000	Reason
Training & operational review	(66)	The outturn reflects the drawdown of the earmarked reserve set aside at the end of the last financial year to meet the costs of catch up training following on from the effects of industrial action on the training schedule. This training is now up to date.
Fleet & Technical Services	43	The outturn reflects the transfer of £232k into capital reserves to meet the costs of the relocation of the fleet workshop from Service Headquarters to the Training Centre during 2016/17.
Property	154	The majority of the outturn position reflects the costs of property repairs and maintenance, in line with the anticipated outturn position, specifically improvements to heating and hot water plants, general interior refurbishments and resurfacing drill yards at various sites, enabling works at Carnforth prior to the rebuild in the next financial year.
Service Delivery	(339)	As reported previously, the underspend relates to a combination of: <ul style="list-style-type: none"> • Smoke detectors underspent by £181k, in line with the anticipated outturn; • Utilities underspent by £73k, less than the previous forecast; • The remainder relates to underspends across many budget headings, which have been factored into the 2016/17 budget set.
Pensions	(95)	The underspend reflects the low number of ill health retirements during the year (one) compared to two ill health retirements budgeted.
Other Non DFM	2,032	The most significant item within this budget is the £3.2m transferred to the LGPS pension fund, as approved at the February CFA meeting to offset the current LGPS scheme deficit. This is partly offset by the £1m over provision for FF pension contributions as reported throughout the year. In addition, we have benefitted from fixed term deposits placed when interest rates were highest, resulting in £87k more interest receivable than budgeted.

Pay	(1,046)	<p>The outturn position is in line with the forecast as presented at March Resources, reflecting the following significant underspends:</p> <ul style="list-style-type: none"> • Wholetime (£621k) due to early leavers since the 2015/16 budget was set in December 2014; • Retained (£123k) due to vacant hours of cover across many locations as previously reported; • Associate trainers (£64k overspent) reflecting usage of these to carry out catch up training during the year; • Support Staff (£365k) due to vacancy management during the year, in particular relating to Prevention and Protection posts pending the outcome of the review, which was implemented in April 2016.
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Delivery against savings targets

The following table sets out the target level of efficiencies required in 2015/16 and performance against this target: -

	Annual Target	Target at end of Mar
	£m	£m
Staffing, including Emergency Cover Review outcomes, functional saving reviews plus management of vacancies	1.917	2.962
Reduction in Property repairs and maintenance and utilities budgets	0.310	0.279
Reduction in Fleet repairs and maintenance and fuel budgets	0.171	0.463
Reduction in smoke detectors and fire safety consumables budgets	0.187	0.434
Reduction in capital financing charges	0.593	0.593
Reduction in scrap cars for training budgets	0.027	0.045
Procurement savings (these are calculated as the difference between the market price and the contract awarded, for example replacement support vehicles purchased under a framework agreement)	-	0.234
Balance – cash limiting previously underspent non pay budgets	0.223	0.223
Total	3.428	5.233

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 31/3/15	0.457	3.293	5.488	9.238	10.664	19.902
Specific funds transferred to/(from) Earmarked Reserves	-	0.147	0.176	0.323	-	0.323
In-Year Revenue Outturn	(0.043)	-	-	(0.043)	(0.478)	(0.521)
Balances at 31/3/16	0.414	3.440	5.664	9.518	10.186	19.704

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 £414k, 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 £3.4m.

Other Earmarked Reserves

The reserve covers all funds, which have been identified for a specific purpose. The overall reserves level increased from £5.5m to £5.7m.

The following table sets out the year end position in respect of each earmarked reserve, as at 31 March 2016:-

	Balance at 31 March 2015	Transfer 2015/16	Balance at 31 March 2016	
	£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.
Insurance Aggregate Stop Loss (ASL)	2.192	(0.784)	1.408	The Authority's new insurance arrangements reduced the aggregate stop loss (ASL) on the combined liability policy by £0.250m, hence current insurance policies have a combined ASL of £0.654m (the self-insured loss liability for vehicles standing at £0.249m and the combined insurance liability standing at £0.405m). 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, which has allowed the on-going revenue budget to be further reduced as part of the 2016/17 budget setting process. This reduction has been used to create the PWLB penalty reserve at the bottom of the table.
Backlog Maintenance	0.105	(0.105)	-	This reserve has been utilised in year to fund the capital programme, specifically the STC redevelopment spend.
Training Centre	0.364	(0.143)	0.221	This reserve was utilised to fund backlog training requirements in 2015/16 as reported in the capital outturn report, and the balance will be used to fund the remaining site improvement works in the capital programme in 2016/17.
ICT	0.158	(0.010)	0.148	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	0.040	(0.002)	0.038	This reserve reflects income collected from various sources to fund area based youth related projects, such as Fire Cadets.
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	1.827	0.226	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 draft revenue budget included full use of this reserve by March 2020.
Prince's Trust	0.250	(0.066)	0.184	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.
Public Works Loan Board Loan repayment penalty	-	1.000	1.000	This reserve has been 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 relates to external funding from a variety of sources that will be 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 the year 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 money to fund a future improvement.
	5.488	0.176	5.664	

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 deficit on the revenue budget, £0.5m, has been draw down from this reserve. After allowing for these the Authority now holds a General fund balance of £10.2m (18% of the net 2016/17 budget).

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 (£3.0m) 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 2017/18-2019/20 include potential drawdowns in excess of £7m, which would put this level of reserve at 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:		

BUDGET MONITORING STATEMENT

	Total Budget	Actual Spend to Mar 2016	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
	£000	£000	£000	£000	£000	£000	£000	£000
DFM Expenditure								
Training & Operational Review	2,634	2,652	18	84	(66)	18	-	-
Fleet & Technical Services	2,371	2,386	15	(28)	43	15	-	-
Executive Board	999	926	(73)	(2)	(71)	-	-	(73)
Corporate Communications	243	238	(6)	7	(12)	-	-	(6)
Human Resources	523	492	(31)	(22)	(9)	-	-	(31)
Occupational Health Unit	185	187	2	2	-	2	-	-
Central Admin Office	364	366	2	12	(10)	2	-	-
Finance	137	135	(2)	-	(2)	(1)	-	(1)
Procurement	743	751	8	(14)	23	8	-	-
Property	1,415	1,569	154	(0)	154	4	-	150
Safety Health & Environment	170	165	(5)	12	(16)	-	-	(5)
Prince's Trust Volunteers Scheme	-	-	-	-	-	-	-	-
Service Development	1,624	1,568	(56)	(51)	(5)	-	-	(56)
Control	1,049	1,049	-	-	-	-	-	-
Information Technology	2,127	2,116	(11)	(13)	1	(6)	-	(6)
Service Delivery	34,562	33,132	(1,430)	(1,031)	(399)	-	-	(1,430)
External Funding	-	(4)	(4)	1	(5)	(2)	-	(2)
Special Projects	32	32	-	(4)	4	2	-	(2)
TOTAL DFM EXPENDITURE	49,177	47,759	(1,418)	(1,048)	(370)	43	-	(1,461)
Non DFM Expenditure								
Pensions Expenditure	1,251	1,156	(95)	-	(95)	-	-	(95)
Other Non-DFM Expenditure	6,542	8,575	2,034	2	2,032	-	-	2,034
NON-DFM EXPENDITURE	7,793	9,732	1,939	2	1,937	-	-	1,939
TOTAL BUDGET	56,969	57,491	521	(1,046)	1,567	43	-	478

DFM RESERVES	DFM Balance B/Fwd	DFM Contribution	DFM Adjust ment	DFM Jnl	DFM Balance C/Fwd
DFM Expenditure	£000	£000	£000	£000	£000
Training & Operational Review	(25)	18	-	18	(7)
Fleet & Technical Services	(25)	15	-	15	(10)
Executive Board	(25)	(37)	37	-	(25)
Corporate Communications	(25)	(3)	3	-	(25)
Human Resources	(25)	(15)	15	-	(25)
Occupational Health Unit	(7)	2	-	2	(5)
Central Admin Office	(25)	2	-	2	(23)
Finance	(9)	(1)	-	(1)	(10)
Procurement	(25)	8	-	8	(17)
Property	(4)	154	(150)	4	-
Safety Health & Environment	(25)	(2)	2	-	(25)
Prince's Trust Volunteers Scheme	(25)	-	-	-	(25)
Service Development	(25)	(28)	28	-	(25)
Control	-	-	-	-	-
Information Technology	8	(6)	-	(6)	2
Service Delivery	(150)	(677)	677	-	(150)
External Funding	(11)	(2)	-	(2)	(14)
Special Projects	(34)	2	-	2	(31)
Pay					
TOTAL DFM EXPENDITURE	(457)	(568)	612	43	(414)
Non DFM Expenditure					
Pensions Expenditure	-	-	-	-	-
Other Non-DFM Expenditure	-	-	-	-	-
NON-DFM EXPENDITURE	-	-	-	-	-
TOTAL BUDGET	(457)	(568)	612	43	(414)