

**LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE**

Meeting to be held on 21 May 2018

**YEAR END REVENUE OUTTURN 2017/18
(Appendices 1 & 2 refer)**

Contact for further information:

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Executive Summary

This report presents the revenue outturn position, and the impact of this on usable reserves.

The overall outturn position shows a slight overspend of £7k, which is slightly lower than the £100k overspend previously forecast.

Recommendation

The Resources Committee is asked to:-

- note the additional income receivable in respect of our proportion of business rates;
- note the outturn position on the 2017/18 revenue budget;
- note the transfer to earmarked reserves of £200k in respect of PPE and £152k in respect of Apprentices;
- agree the proposed drawdown of £17k from the DFM Reserve;
- agree the proposed transfer of £10k to the General Reserve;
- agree the proposed transfer of £113k from DFM Reserve to other Earmarked Reserves (innovations reserve), and the resultant level of DFM reserve, £297k.

The Revenue Outturn Position

The annual budget for the year has been amended to reflect a slight increase in the overall business rates being retained (comprising Section 31 grant from the Government and local rates paid over by billing authorities). This has resulted in an additional £35k of income being received in 2017/18, and as a result the overall revenue budget has increased to £53.968m.

After allowing for net transfer from earmarked reserves of £50k the final outturn position shows net expenditure of £53.975m, giving a total overspend for the financial year of £7k.

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 2017/18 have already been reflected in 2018/19 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/ (Underspend) £'000	Reason
Service Delivery	(18)	The position is consistent with previous forecasts. The budget 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 has not been incurred, due to delays in delivery dates, and therefore the outturn position reflects the proposed transfer to earmarked reserves in order to meet these costs in 18/19.
Human Resources	(94)	The majority of the underspend relates to the budget allocation for Organisational Development. Spends committed against the Organisational Development budget are an additional fixed term HR adviser, the leadership conferences and the management development programme. It is worth noting that the budget for this was reduced by £100k in 18/19 to better reflect planned expenditure.
Property	195	As reported previously the overspend relates to premises repairs and maintenance, with some of the more major areas of spend being:- <ul style="list-style-type: none"> • STC – refurbishment of Lecture Theatre, install air conditioning in classrooms, enhance Minerva accommodation for new Training Software, enhance Astley house to accommodate recruits course • St Anne’s – new windows to fire station. • Padiham – external refurbishment of Station. • Hornby – new roof • South Shore – refurbishment of Princes trust and CFS facilities
Non DFM	471	The overspend largely relates to funding of the purchase of the water tower, as previously agreed. The penalty associated with the early repayment of loans, £635k, has been met from a drawdown of earmarked reserves as previously agreed.
Wholetime Pay	(400)	The year-end position is broadly consistent with the previous forecast and the reasons for the underspend also remain consistent:- <ul style="list-style-type: none"> • whole time recruits are lower than budgeted • vacancies have been higher than forecast • pension costs are lower than forecast due to the mix of staff in each FF Pension Scheme changes throughout the year as personnel

		<p>transfer, or as personnel withdraw from the scheme</p> <p>As previously stated the position only allows for the interim pay award of 1% backdated to July, which is in line with the approved budget. No allowance has been made for any pay award being higher than that, hence if any agreement is reached which includes backdating the additional costs will impact on the 18/19 budget.</p>
Control Staff	(44)	<p>As previously reported the Service has an establishment of two Control Staff, one in the Training and Operational Review Team and one in ICT team. The underspend relates to the latter whereby the communications officer post is temporarily filled by a whole-time member of staff, whilst the substantive post holder is seconded to work for the Home Office on the national ESMCP project.</p>
RDS Pay	130	<p>The overspend 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.</p>
Associate Trainers	130	<p>The annual training plan is used to match planned training activity to staff available at the training centre. However it is inevitable that this will not always be possible, specifically at times when there are a large number of courses running concurrently, i.e. where Whole-time recruit's course is run. Associated trainers are used at these times to provide greater flexibility to match resource to demand. Thus avoiding the need to create a permanent establishment to meet peak demands, which would clearly be an inefficient use of resources.</p>
Support staff (including agency staff)	(161)	<p>The underspend 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 £128k are replacing vacant support staff roles, this still only accounts for 2% of total support staff costs.</p> <p>As previously highlighted 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 £152k of the funding has not been utilised in the current year. The outturn position reflects the proposed transfer to earmarked reserve to meet on-going costs in future years.</p>

Apprentice Levy	(23)	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.
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Delivery against savings targets

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

	Target	Savings Delivered
	£m	£m
Staffing, including Emergency Cover Review outcomes, LGPS scheme deficit removal plus management of vacancies	0.777	1.153
Reduction in service delivery non pay budgets including the smoke detector budgets	0.222	0.280
Reduction in Property repairs and maintenance and utilities budgets	0.215	0.010
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	0.066
Reduction in insurance Aggregate Stop Loss	0.050	0.153
Reduction in capital financing charges	0.040	0.040
Procurement savings (these are savings on contract renewals, such as waste collection and stationery contracts)	-	0.104
Balance – cash limiting previously underspent non pay budgets	0.180	0.180
Total	1.550	1.986

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 shortfall on property is due to specific additional property works undertaken in year, as highlighted earlier.

Impact of the Revenue Outturn Position on Reserves

Any under/over spend on the revenue budget is allocated to the DFM reserve, held within earmarked reserves, as set out below, with any remaining balance either being a contribution to, or a drawdown from, the General Reserve.

The DFM 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 being 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 £17k was drawn down from the DFM reserve, leaving a balance of £10k to transfer to the General Reserve (see appendix 1 for details).

A further review of the levels of individual DFM reserves is then undertaken, to ensure that they are reasonable and that budget holders are not building up excessive reserves. The latest such review has identified a reduction of £113k (see appendix 2 for details), with this amount contributing to the creation of an innovations reserve (as reported in the Year End Usable Reserves Outturn 2017/18 reported elsewhere on this agenda).

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

	Total Budget	Budgeted Spend to Mar 2018	Actual Spend to Mar 2018	Variance O/Spend (U/Spend)	Variance Pay	Variance Non-Pay	Net DFM Transfer	Net General Reserve Transfer
	£	£	£	£	£	£		
Service Delivery								
Service Delivery	30,843	30,843	30,568	(275)	(257)	(18)	-	(275)
Training & Operational Review	3,457	3,457	3,570	113	39	74	-	113
Control	1,148	1,148	1,148	(0)	-	(0)	-	(0)
Prince's Trust Volunteers Scheme	-	-	(50)	(50)	-	(50)	(25)	(25)
Special Projects	12	12	8	(4)	-	(4)	-	(4)
Strategy & Planning								-
Fleet & Technical Services	2,394	2,394	2,394	(0)	(7)	7	-	(0)
Information Technology	2,379	2,379	2,194	(185)	(116)	(69)	(25)	(160)
Service Development	3,786	3,786	3,786	1	(10)	11	1	-
People & Development								-
Human Resources	660	660	554	(107)	(13)	(94)	-	(107)
Occupational Health Unit	199	199	187	(12)	16	(28)	(2)	(10)
Corporate Communications	294	294	232	(62)	(28)	(34)	-	(62)
Safety Health & Environment	202	202	193	(9)	2	(11)	-	(9)
Corporate Services								-
Executive Board	978	978	1,001	23	23	0	23	-
Central Admin Office	750	750	771	20	23	(3)	20	-
Finance	142	142	141	(1)	(3)	2	(1)	-
Procurement	790	790	769	(22)	(7)	(15)	-	(22)
Property	1,271	1,271	1,429	158	(37)	195	25	133
External Funding	-	-	(0)	(0)	18	(18)	(0)	-
TOTAL DFM EXPENDITURE	49,306	49,306	48,895	(411)	(357)	(54)	17	(428)
Pensions Expenditure	1,172	1,172	1,138	(35)	-	(35)		(35)
Other Non-DFM Expenditure	3,490	3,490	3,942	452	(19)	471		452
NON-DFM EXPENDITURE	4,662	4,662	5,080	418	(19)	437	-	418
TOTAL BUDGET	53,968	53,968	53,975	7	(376)	383	17	(10)

	DFM B/Fwd	Net DFM Transfer	DFM C/Fwd	Tfr DFM Res to Earmarked Res	Final DFM Reserve
Service Delivery					
Service Delivery	(156)	-	(156)	56	(100)
Training & Operational Review	-	-	-	-	-
Control	-	-	-	-	-
Prince's Trust Volunteers Scheme	-	(25)	(25)	-	(25)
Special Projects	-	-	-	-	-
Strategy & Planning		-	-		-
Fleet & Technical Services	(25)	-	(25)	-	(25)
Information Technology	-	(25)	(25)	-	(25)
Service Development	(25)	1	(24)	-	(24)
People & Development	-	-	-	-	-
Human Resources	(25)	-	(25)	15	(10)
Occupational Health Unit	(23)	(2)	(25)	15	(10)
Corporate Communications	(25)	-	(25)	-	(25)
Safety Health & Environment	(25)	-	(25)	20	(5)
Corporate Services	-	-	-	-	-
Executive Board	(25)	23	(2)	-	(2)
Central Admin Office	(25)	20	(5)	-	(5)
Finance	(11)	(1)	(11)	6	(5)
Procurement	(25)	-	(25)	-	(25)
Property	(25)	25	-	-	-
External Funding	(11)	(0)	(12)	-	(12)
TOTAL DFM EXPENDITURE	(426)	17	(410)	113	(297)
Pensions Expenditure			-		-
Other Non-DFM Expenditure			-		-
NON-DFM EXPENDITURE	-	-	-	-	-
TOTAL BUDGET	(426)	17	(410)	113	(297)