

**LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE**

Meeting to be held on 26 September 2018

**FINANCIAL MONITORING 2018/19
(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 2018/19 revenue and capital budgets and performance against savings targets.

Recommendation

Resources Committee is requested to note and endorse the financial position.

Information

Revenue Budget

The overall position as at the end of July shows an overspend of £0.3m. 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 currently shows an underspend of approximately £0.1m, reflecting on going vacancies and the timing of some non-pay expenditure.

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	
Winter Hill	110	110	Cost agreed to date are £750k, however it should be noted that we have not yet received all invoices in relation to the incident (including those from FRS who assisted) and as such we cannot accurately predict the final total cost. As this incident is covered by the Bellwin Scheme of Emergency Financial Assistance we will be making a claim under this and hence our total net costs should be limited to the threshold £110k. The Committee will be updated on final costs, once all claims have been received.

Fleet Services	38	72	<p>Further to a discussion at the last meeting, the numbers ordered and potential costs of new hydrant installations over the last few years have been:</p> <table data-bbox="798 336 1356 492"> <thead> <tr> <th>Year</th> <th>Number</th> <th>Cost</th> </tr> </thead> <tbody> <tr> <td>1516</td> <td>88</td> <td>£77k</td> </tr> <tr> <td>1617</td> <td>81</td> <td>£71k</td> </tr> <tr> <td>1718</td> <td>99</td> <td>£87k</td> </tr> </tbody> </table> <p>Historically these costs can take years from initial notification and calculation to the actual build completion, but the recent increase in new housing is having an impact on the budget. We are currently working with local planning offices to review options relating to these costs and the potential for housing developers to meet these.</p>	Year	Number	Cost	1516	88	£77k	1617	81	£71k	1718	99	£87k
Year	Number	Cost													
1516	88	£77k													
1617	81	£71k													
1718	99	£87k													
Property	109	104	<p>The overspend position relates to premises repairs and maintenance. The forecast overspend reflects some of the new minor schemes approved in year to enhance station facilities such as enhanced female facilities.</p>												
Wholetime Pay	(48)	(300)	<p>The following issues affect whole-time pay:</p> <ul data-bbox="742 1008 1436 2027" style="list-style-type: none"> • The budget allowed for an assumed 2% pay award last year, however to date no agreement has been reached on this, other than an interim 1%. Hence in the first four months of the year there has been an underspend of £100k. It is not clear whether this position will change or whether this has now been superseded by the 2018 pay award negotiations that are on-going. Should the position continue for the remainder of the year the total over provision within the budget will be £300k, which is reflected in the forecast shown • The budget also allowed for an assumed 2% pay-award for July 2018. As Members will be aware the Union and Employers Side have still been unable to reach an agreement on pay awards at the present time, hence the current underspend includes £50k which relates to the outstanding pay award. For the purpose of forecasting we have assumed that this will be agreed at 2%, backdated to July 2018, and have therefore allowed for a cost of £450k in the outturn position. • In order to maintain pump availability at key RDS stations we have continued to detach in wholetime personnel, with over 800 detachments taking place in the first part of 												

			<p>the year. Where there are insufficient staff available to enable detachments to take place, the shortfall is met by overtime. In the year to date we have incurred £50k of overtime at key RDS stations, with the most significant costs incurred at Wesham, Preesall, Longridge and Garstang. (Detachments do not have an actual staff cost associated with them as they are undertaken by personnel on duty, although travel time may be claimable. However based on the numbers undertaken in the year to date this equates to a notional cost of approx. £100k.) .</p> <ul style="list-style-type: none"> • As in previous years the budget includes a vacancy factor based on anticipated retirements, leavers and new recruits. During the first four months staffing numbers have been higher than forecast, due to fewer retirements (there are currently 6 personnel who were forecast to retire but have not yet done so) resulting in an overspend of approx. £80k for the first part of the year. It is impossible to accurately predict this going forward, but should this position continue throughout the year the total additional costs of maintaining 6 extra posts is £240k. • The budget also allowed for the recruitment of 12 FF apprentices in year, at a cost of £200k. Given the difficulty in establishing a suitable apprentice's scheme, as previously reported, it is clear that these will not be recruited until next year, and hence no costs will be incurred.
Control Staff	-	-	<p>The budget has been amended to reflect the fact that whilst we employ two Control Staff, one of has been seconded to work for the Home Office on the national ESMCP project. Hence the amended budget is in a breakeven position.</p>
Retained (RDS) Pay	124	250	<p>The following issues affect retained pay:</p> <ul style="list-style-type: none"> • As referred to under whole-time pay the budget allowed for 2% pay awards in both years. Hence in the first four months of the year there has been an underspend of £15k. • For the purpose of forecasting we have assumed that the 18/19 pay award will be agreed at 2%, backdated to July 2018, and have therefore allowed for a cost of £60k in the outturn position. • Activity levels in the first 4 months of the year

			<p>are higher than previous, reflecting increased hours of cover as well as an increasing number of incidents and hence pay costs are higher than forecast, £100k</p> <ul style="list-style-type: none"> • In addition RDS recruits receive wholetime pay during the recruits course receive wholetime pay rates for two weeks, resulting in an overspend of £20k due to timing <p>Previously, the significant vacant posts in excess of the vacancy factor within RDS pay mitigated any overspends, however with the improvement in retention/recruitment these are more visible, and will be reviewed for the next financial year's budget.</p>
Associate Trainers	21	30	<p>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. There have been trainer vacancies throughout the year to date, which has resulted in the overspend shown.</p>
Support staff (less agency staff)	(82)	(200)	<p>The underspend to date relates to vacant posts across various departments, which are in excess of the vacancy factor built into the budget. (Note agency staff costs to date of £12k are replacing vacant support staff roles, this still only accounts for less than 1% of total support staff costs).</p> <p>Some of these vacancies have now been filled, although a number of vacancies remain which are difficult to fill, most notably in ICT and Information Management, resulting in a forecast outturn underspend of £200k. The Service is continuing to review roles and structures before moving to recruitment.</p>
Apprentice Levy	(5)	(20)	<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>

It is worth noting that the forecast year end underspend only occurs due to the position outlined in respect of the 2017/18 pay award. Had this not been the case the forecast would have shown an anticipated overspend of £250k.

Capital Budget

The Capital Programme for 2018/19 stands at £16.7m. A review of the programme has been undertaken to identify progress against the schemes as well as potential slippage across the programme

The overall position as at the end of July shows £1.8m of capital expenditure. We are currently anticipating year end spend of £4.1m, with £12.6m of slippage. (It is worth reiterating that slippage is simply a timing issue dependent on the progress of capital schemes, and not an indication of future underspends, with the slippage on Preston Fire Station outlined below being a good example of this.) This position is shown is set out below, and is summarised in appendix 2: -

Pumping Appliances	The budget allowed for the purchase of 7 pumping appliances for the 2018/19 programme. As the supplier indicated that the cost of the crew cabs had significantly risen, alternative cabs were been sourced and the order has been updated to reflect this. However due to delays thus far delivery will not take place until next financial year, although some staged payments will be made in the current year.
Other vehicles	<p>This budget allows for the replacement of various operational support vehicles:</p> <ul style="list-style-type: none"> • Two Command Support Units (CSU), the requirements are currently being finalised with a view to undertaking a procurement exercise. However taking account of anticipated lead times the final costs associated with the purchase of these, £0.6m, will slip over into 2019/20; • One Aerial Ladder Platform which was delivered during July; and • One Water Tower, which has been ordered and will be delivered during the financial year. • Various support vehicles which are reviewed prior to replacement. As the lead times on these are relatively short we anticipate utilising this budget in year.
Operational Equipment/Future Firefighting	<p>This budget allows for the purchase of the technical rescue jackets, following the regional procurement exercise, which were delivered at the end of May and are now in service. A further £200k relates to the replacement of Breathing Apparatus Radios which are still being reviewed, including the potential to undertake a regional procurement process. Whilst some of this will slip into next year (£160k) we have committed to the purchase of fist microphones, which include noise cancelling facilities and hence enable clearer voice transmission, thus aiding fire ground communications.</p> <p>The balance of £200k is to meet costs associated with on-going research projects relating to new equipment, and we anticipate utilising approx. £50k of this in the current year.</p>
Building Modifications	Completion of the new joint Fire & Ambulance facility at Lancaster was expected by mid-August, however this has not yet been achieved. 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, however the final position in respect of variations is still being discussed with the contractors. Final handover of the building is expected to take place in October.

	<p>In terms of the redevelopment of Preston Fire Station, NWAS have now conformed that they do not intend to share in a joint redevelopment of the site as it does not tie in to their longer term estates strategy. As such we have advised them that they will need to quit the site, by the end of July to enable our own redevelopment works. We are currently in the process of designing a tender specification in order to appoint consultants to take the project forward, including the redesign of the station/site. It is clear that the delays caused by NWAS will push the start of any build back into 19/20, and hence the majority of the project costs will slip into that year, (£6.75m).</p> <p>The replacement Fleet workshop is currently undergoing a detailed design prior to undertaking a tendering exercise, and again spend is likely to slip into 2019/20.</p> <p>The final element of this capital budget relates to the balance of the Training Centre redevelopment works, largely relating to groundworks which will only be carried out following completion of the Fleet workshop.</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. This national project has suffered lengthy delays to date, and it is likely that both elements of the budget will slip into 19/20. Given the delay on the ESMCP project, the replacement station end project has also been delayed. However we cannot delay this indefinitely and have therefore commenced work to replace the station end in the current financial year, whilst ensuring that any solution will be compatible with the eventual ESMCP solution.</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, and having agreed a contract for this we anticipate this being completed in the current financial year.</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. For the purpose of forecasting we have assumed that these will slip into 19/20.</p>

Expenditure to date has been funded from the on-going revenue contributions, with the majority of the year end forecast also being met by this, supported by capital reserves.

Delivery against savings targets

The following table sets out the efficiencies identified during the budget setting process, hence removed from the 2018/19 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 post reductions plus management of vacancies	0.059	0.020	-
Reduction in service delivery non pay budgets including the smoke detector budgets	0.090	0.030	0.026
Reduction in Fleet operational equipment budget	0.150	0.050	0.042
Reduction in capital financing charges	0.161	0.054	0.054
Procurement savings (these are savings on contract renewals, such as waste collection and stationery contracts)	-	-	0.074
Balance – cash limiting previously underspent non pay budgets	0.353	0.118	0.118
Total	0.812	0.272	0.314

The performance to date is ahead of target, largely due to procurement activities during the 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 JULY 2018	Total Budget	Budgeted Spend to May 2018	Actual Spend to May 2018	Variance O/Spend (U/Spend)	Variance Pay	Variance Non-Pay	Forecast outturn
	£000	£000	£000	£000	£000	£000	£000
Service Delivery							
Service Delivery	30,728	10,463	10,567	104	68	36	72
Winter Hill	-	-	110	110	-	110	110
Training & Operational Review	3,904	1,340	1,350	10	6	5	2
Control	1,183	1,183	1,175	(8)	-	(8)	(8)
Prince's Trust Volunteers Scheme	-	252	253	2	-	2	(17)
Special Projects	12	4	4	0	-	0	0
Strategy & Planning							
Fleet & Technical Services	2,214	970	1,014	44	6	38	72
Information Technology	2,515	763	727	(36)	(42)	6	(16)
Service Development	3,935	1,359	1,343	(17)	(28)	11	0
People & Development							
Human Resources	694	249	226	(23)	2	(25)	(25)
Occupational Health Unit	257	86	64	(21)	0	(22)	(37)
Corporate Communications	299	101	88	(14)	3	(17)	(4)
Safety Health & Environment	219	67	67	0	1	(1)	(9)
Corporate Services							
Executive Board	1,014	364	370	6	5	1	2
Central Admin Office	799	261	247	(14)	(12)	(2)	(6)
Finance	143	47	47	(1)	(2)	2	1
Procurement	796	371	434	63	7	57	82
Property	1,304	475	584	110	1	109	104
External Funding	-	(26)	(26)	0	(0)	0	0
Pay							(260)
TOTAL DFM EXPENDITURE	50,018	18,329	18,645	316	15	300	64
Non DFM Expenditure							
Pensions Expenditure	1,178	567	546	(21)	-	(21)	(63)
Other Non-DFM Expenditure	3,575	822	792	(30)	(4)	(26)	(60)
NON-DFM EXPENDITURE	4,752	1,389	1,337	(51)	(4)	(47)	(123)
TOTAL BUDGET	54,770	19,718	19,982	264	11	254	(59)

APPENDIX 2

CAPITAL BUDGET 2018/19	Final Programme	Actual Exp	Year End Forecast	Slippage	Est final Cost	Over/ (Under) Spend
Vehicles						
Pumping Appliance	1.484	-	0.350	(1.134)	1.484	-
Other Vehicles	1.990	1.086	1.410	(0.580)	1.990	-
	3.474	1.086	1.760	(1.714)	3.474	-
Operational Equipment						
Operational Equipment	0.776	0.408	0.466	(0.310)	0.776	-
	0.776	0.408	0.466	(0.310)	0.776	-
Buildings Modifications						
STC Redevelopment	2.569	-	0.400	(2.169)	2.569	-
Lancaster Replacement	0.621	0.321	0.621	-	0.621	-
Preston Replacement	7.000	-	0.100	(6.900)	7.000	-
	10.190	0.321	1.121	(9.069)	10.190	-
ICT						
IT Systems	2.250	-	0.780	(1.470)	2.250	-
	2.250	-	0.780	(1.470)	2.250	-
Total Capital Requirement	16.690	1.815	4.127	(12.563)	16.690	-
Funding						
Capital Grant	1.000	-	-	(1.000)	1.000	-
Revenue Contributions	2.000	1.815	2.000	-	2.000	-
Earmarked Reserves	0.025	-	0.025	-	0.025	-
Capital Reserves	13.665	-	2.102	(11.563)	13.665	-
Total Capital Funding	16.690	1.815	4.127	(12.563)	16.690	0.000