

**LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE**

Meeting to be held on 27 March 2019

**FINANCIAL MONITORING 2018/19
(Appendices 1 and 2 refer)**

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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 are requested to note and endorse the financial position.

Information

Revenue Budget

The overall position as at the end of January shows an overspend of £0.1m. We have been monitoring any trends to ensure that they were reflected in next year's budget, as well as being reported to Resources Committee. Members will recall at the last meeting we presented a forecast position of £0.1m underspend. Since then we have been notified by the Government of the following additional sources of income:-

- The National Business Rates (NNDR) Levy fund surplus allocation being paid to Lancashire Fire and Rescue Service (LFRS) before the end of the financial year. The NNDR Levy Fund was created by the Government to fund business rates safety net grant payments from previously held back NNDR monies, any unused funds are now being redistributed, with LFRS receiving £237k. (This was announced alongside the Finance Settlement for 2019/20 during December, with no prior indication);
- The national government exercise to audit the Section 31 grants in relation to Business Rates Reliefs for 2017/18 has now been completed, and as a result the Authority will receive a further £192k from Central Government in relation to this. (We received confirmation of this in the middle of February, with no prior indication of this amount.)

As a result we are now forecasting a year end underspend of £0.5m.

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 Jan	Forecast Outturn at 31 March	Reason
	£'000	£'000	
Service Delivery	191	243	The majority of both the year to date and outturn positions reflect the replacement of firefighting gloves and helmets to all operational staff during the year, in addition to investment in equipment for the specialist wildfire unit based at Bacup.
Winter Hill	110	110	Although the total cost is £1.2m, as reported previously we have submitted details to MHCLG under the Bellwin Scheme of Emergency Financial Assistance and hence anticipate our total net costs being limited to the threshold £110k.
Prince's Trust	(84)	(85)	On completion of the 17/18 academic year Prince's Trust received an extra £42k team funding from Preston College in excess of the amount initially indicated. In addition, we have managed to access £56k of European Social Fund money for team members who were not eligible for standard funding. As this funding is only available for 16-18 year olds unless already claimed by another learning provider, we had not included this income in the base budget.
Property	116	140	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.
Pensions	25	63	The current and outturn positions reflect the three ill health retirements in the year to date, and one more anticipated before the end of the financial year. This position may still alter as exact costs and timing are finalised.
Non DFM	(166)	(647)	The year to date underspend is largely due to the increase in the bank base interest rate during the year, which increased interest receivable on our call account balances with Lancashire County Council, and also interest receivable on several fixed term investments which have been put in place commencing in the second half of the year.

			<ul style="list-style-type: none"> The outturn position reflects the above, and the additional £429k of income from central government, as referred to earlier.
Wholetime Pay	(204)	(318)	<p>The following issues affect whole-time pay:</p> <ul style="list-style-type: none"> The budget allowed for an assumed 2% pay award last year, however this did not transpire, hence in the first eight months of the year there has been an underspend of £200k. (With a full year effect of £300k) Overtime is overspent by approx. £40k the majority of which is attributable to the continuing policy of detaching wholetime personnel into key RDS stations. 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 were higher than forecast, due to fewer retirements, leading to overspend of approx. £100k. Since then the position has reversed due to the number of retirements coupled with several personnel leaving the service early. Hence we anticipate a broadly balanced position in respect of this at the year end. The budget also allowed for the recruitment of 12 FF apprentices in the second half of the year, at a cost of £256k. 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.
Retained (RDS) Pay	234	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 ten months of the year there has been an underspend of £36k. Activity levels in the first 10 months of the year are higher than previous (excluding Winter Hill), reflecting increased hours of cover as well as an increasing number of incidents and hence pay costs are higher than budgeted In addition RDS recruits receive wholetime pay during the recruits course receive wholetime pay rates for two weeks, resulting in an overspend of £40k due to the two RDS courses run to date.

			<p>Previously, the significant vacant posts in excess of the budgeted vacancy factor within RDS pay had mitigated any overspends, however with the previous marginal improvement in retention/recruitment and the increased activity costs these are more visible, and have been amended for the next financial year's budget.</p> <p>The forecast position is a lower underspend than previously predicted which reflects that in there have been more leavers than new recruits in the second half of the year.</p>
Associate Trainers	69	77	<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 several ongoing trainer vacancies throughout the year to date, which has resulted in the overspend shown, but are counteracted by corresponding underspends within wholetime pay.</p> <p>In addition it has been agreed that associate trainer can be used to facilitate the 'have a go' days which are part of the wholetime recruits process at an estimated cost of £10k.</p>
Support staff (less agency staff)	(226)	(291)	<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 £70k are replacing vacant support staff roles, which accounts for just over 1% of total support staff costs).</p> <p>Although some vacancies had been filled, there are a number of vacancies which have proven historically difficult to fill, most notably in ICT and Information Management, resulting in a forecast outturn underspend. The Service continues to review roles and structures before moving to recruitment.</p>
Apprentice Levy	(15)	(19)	<p>The apprentice levy is payable at 0.5% of each month's payroll costs, the budget for this was set at anticipated establishment levels, hence the underspend against this budget reflects the various pay budget positions reported above.</p> <p>It should be noted that due to delays in apprenticeships standards being approved we have not been able to utilise the levy payments we have made to HMRC since April 2017. The outcome of this is that funds that have been in the levy account for 24 months and have not been utilised will be clawed back</p>

			by HMRC. Whilst this will not affect the current year it will impact next year. At the present time we anticipate a claw back of around £10k per month until we can fully utilise this for training costs. We have submitted an application for STC to be an approved training provider, in order to access HMRC levy funds to match training costs, with approval expected to be granted early in the new financial year.
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Any proposed year end transfers into reserves will be considered as part of the outturn position that will be reported to the Resources Committee in May 2019.

Capital Budget

The Capital Programme for 2018/19 stands at £4.1m, as reported previously. A review of the programme has been undertaken to identify progress against the schemes. The overall position as at the end of January shows £2.9m of capital expenditure. We are currently anticipating year end spend of £3.4m, with £0.7m slippage. This position is shown is set out below, and is summarised in Appendix 2: -

	Spend to date	Forecast Year End Spend	
Pumping Appliances	0.4	0.4	The budget allows for the first stage payment for the 6 pumping appliances ordered for the 2018/19 programme. A 7 th pumping appliance was ordered to replace two Driver Training Vehicles, following approval by May Resources Committee, although the timing of the first stage payment wasn't allowed for in the 2018/19 budget. As the vehicle is currently in build the stage payment has been made, creating an overspend of £58k in year, however the remainder of the budget for all 7 appliances has been included in the 2019/20 draft programme.
Other vehicles	1.1	1.3	This budget allows for the replacement of various operational support vehicles: <ul style="list-style-type: none"> • One Aerial Ladder Platform which was delivered during July; and • One Water Tower, which is scheduled for delivery during the financial year. • Various support vehicles which are reviewed prior to replacement. Although the lead times on these are relatively short, it is anticipated that there will be some slippage into the next financial year.
Operational Equipment/ Future Firefighting	0.4	0.5	This budget allowed for the initial purchase of technical rescue jackets, following the regional procurement exercise, which were delivered at the end of May and are now in service.

			<p>£40k relates 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 £50k is to meet costs of kitting out three reserve appliances with equipment to speed up handover for vehicle servicing, and we anticipate utilising this in the current year.</p>
Building Modifications	0.6	0.8	<p>Completion of the new joint Fire & Ambulance facility at Lancaster was completed in October. 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 there are a further £40k variations still being discussed with the contractors.</p> <p>In terms of the redevelopment of Preston Fire Station, the budget allows for £0.1m of fees which is unlikely to be incurred before the end of March, hence is included in slippage 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 two main elements:</p> <ul style="list-style-type: none"> • the replacement welfare/ICT porta-cabin which is expected to be completed before the end of the financial year; and • fleet workshop, where final design plans are being drafted however these form part of a larger site masterplan. The development of the site master plan is on hold pending discussions with Lancashire Constabulary about joint use of the facility, therefore the budget will slip into the next financial year.
IT systems	0.4	0.6	<p>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 will begin implementation, but anticipate about half this budget being spent in the next financial year.</p>
Total	2.9	3.4	

Expenditure to date has been funded from the on-going revenue contributions, earmarked reserves and capital reserves.

Delivery against savings targets

The following table sets out the savings 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 Jan	Savings at end of Jan
	£m	£m	£m
Staffing, including post reductions plus management of vacancies	0.059	0.049	0.176
Reduction in service delivery non pay budgets including the smoke detector budgets	0.090	0.075	0.025
Reduction in Fleet operational equipment budget	0.150	0.125	0.100
Reduction in capital financing charges	0.161	0.134	0.134
Procurement savings (these are savings on contract renewals, such as waste collection and stationery contracts)	-	-	0.127
Balance – cash limiting previously underspent non pay budgets	0.353	0.294	0.358
Total	0.812	0.677	0.921

The performance to date is now ahead of target, due salary underspends and procurement activities during the period, less current operational equipment overspends. It is anticipated that we will meet our 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 2019	Total Budget	Budgeted Spend to Jan 2019	Actual Spend to Jan 2019	Variance O/Spend (U/Spend)	Variance Pay	Variance Non-Pay	Forecast outturn
	£000	£000	£000	£000	£000	£000	£000
Service Delivery							
Service Delivery	30,553	25,393	25,971	578	387	191	243
Winter Hill	-	-	110	110	-	110	110
Training & Operational Review	3,997	3,222	3,211	(10)	(60)	50	58
Control	1,183	1,183	1,175	(8)	-	(8)	(10)
Prince's Trust Volunteers Scheme	-	132	48	(84)	-	(84)	(85)
Special Projects	(8)	(15)	(23)	(9)	-	(9)	(8)
Strategy & Planning							
Fleet & Technical Services	2,205	1,942	1,985	43	15	28	15
Information Technology	2,515	2,106	2,018	(88)	(126)	38	21
Service Development	3,942	3,294	3,177	(117)	(166)	50	36
People & Development							
Human Resources	697	587	536	(51)	2	(53)	(68)
Occupational Health Unit	257	214	173	(41)	(1)	(40)	(48)
Corporate Communications	299	248	236	(13)	7	(20)	(24)
Safety Health & Environment	219	187	183	(3)	4	(7)	(9)
Corporate Services							
Executive Board	1,017	851	866	15	16	(2)	(2)
Central Admin Office	799	655	617	(38)	(34)	(4)	(5)
Finance	143	119	117	(2)	(5)	3	3
Procurement	796	684	698	13	(1)	14	7
Property	1,304	1,095	1,214	119	3	116	140
External Funding	-	(6)	(6)	(0)	(0)	0	(0)
Pay							(299)
TOTAL DFM EXPENDITURE	49,920	41,891	42,305	414	42	372	77
Non DFM Expenditure							
Pensions Expenditure	1,178	1,096	1,121	25	-	25	63
Other Non-DFM Expenditure	3,673	1,734	1,384	(349)	(183)	(166)	(647)
NON-DFM EXPENDITURE	4,850	2,829	2,505	(324)	(183)	(141)	(585)
TOTAL BUDGET	54,770	44,720	44,810	89	(142)	231	(508)

APPENDIX 2

CAPITAL BUDGET 2018/19	Revised Programme	Resources Nov	Revised Prog	Actual Exp	Year End Forecast	Slippage	Est final Cost	Over/ (Under) Spend
Vehicles								
Pumping Appliance	1.484	(1.134)	0.350	0.408	0.408	-	0.408	0.058
Other Vehicles	1.990	(0.580)	1.410	1.086	1.252	(0.158)	1.410	- 0.000
	3.474	(1.714)	1.760	1.494	1.660	(0.158)	1.817	0.057
Operational Equipment								
Operational Equipment	0.776	(0.310)	0.466	0.406	0.463	-	0.463	(0.003)
	0.776	(0.310)	0.466	0.406	0.463	-	0.463	(0.003)
Buildings Modifications								
STC Redevelopment	2.569	(2.169)	0.400	-	0.136	(0.264)	0.400	-
Lancaster Replacement	0.621	-	0.621	0.553	0.621	-	0.621	-
Preston Replacement	7.000	(6.900)	0.100	-	-	(0.100)	0.100	-
	10.190	(9.069)	1.121	0.553	0.757	(0.364)	1.121	-
ICT								
IT Systems	2.250	(1.470)	0.780	0.401	0.581	(0.200)	0.781	0.001
	2.250	(1.470)	0.780	0.401	0.581	(0.200)	0.781	0.001
Total Capital Requirement	16.690	(12.563)	4.127	2.854	3.461	(0.722)	4.182	0.055
Funding								
Capital Grant	1.000	(1.000)	-	-	-	-	-	-
Revenue Contributions	2.000	-	2.000	2.000	2.000	-	2.000	-
Earmarked Reserves	0.025	-	0.025	0.025	0.025	-	0.025	-
Capital Reserves	13.665	(11.563)	2.102	0.829	1.436	(0.722)	2.157	0.055
Total Capital Funding	16.690	(12.563)	4.127	2.854	3.461	(0.722)	4.182	0.055