

## **LANCASHIRE COMBINED FIRE AUTHORITY**

### **RESOURCES COMMITTEE**

Meeting to be held on 25 September 2019

### **FINANCIAL MONITORING 2019/20**

**(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 2019/20 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 July shows an underspend 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.

At the May meeting, we reported that there was a potential shortfall of £273k in Section 31 grant in relation to Business Rates Relief for 2019/20. Since the meeting, we (along with other Local Authorities in the same position) have made representations to Ministry of Housing, Communities and Local Government (MHCLG) and submitted evidence as requested to demonstrate our budgetary shortfall for 2019/20. Although we have not yet had confirmation, we believe that we have met the criteria as set out by MHCLG in order for them to pay a one off grant of £273k. As such, we have not reduced budgeted grant income for 2019/20.

In addition, since the last meeting we have received Section 31 grant funding in relation to the Winter Hill incident of 2018. We had anticipated claiming this under the Bellwin scheme, which had an element of self-funding (circa £109k), however as it was paid under Section 31 grant we have been reimbursed for all bar £15k of the total costs, giving an underspend in 2019/20 of £94k.

In terms of the year end forecast it is still early in the year, however the latest forecast currently shows an underspend of approximately £0.2m, largely reflecting on going vacancies and the additional income in respect of Winter Hill.

It should be noted that in line with recent court/ombudsman rulings in respect of the pensionability of allowances we are undertaking a review of all our allowances to determine which are pensionable and which are not. Whilst the review is on-going it is clear that if any allowances are made pensionable then this will impact on the revenue budget, however at this early stage we have not reflected this in the forecast as presented.

We will update the forecasts as the position becomes clearer, and provide an updated report to members at the appropriate time.

The year to date 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	
Service Delivery	(36)	(64)	The variance to date and forecast outturn both reflect:- <ul style="list-style-type: none"> <li>• An additional £58k of grant being allocated to the USAR Team by Government, this announcement only being made after the budget was set</li> <li>• The additional income generated at Preston due to the extension of the lease arrangement with NWS until September 2020, generating an additional £25k in 19/20.</li> </ul>
Winter Hill	(94)	(94)	As previously reported, we anticipated claiming under Bellwin for the Winter Hill incident, however we have now received the funding via Section 31 grant and have been reimbursed all bar £15k of the total costs, giving an underspend in 2019/20 of £94k
Property	97	21	The overspend position relates to premises repairs and maintenance, with lighting and drill yard works being carried out at several fire stations. This is a timing issue and reflects orders raised to date for work which has not yet been undertaken. Hence we are forecasting a broadly balanced year end position
Other Non-DFM	(62)	360	The majority of the underspend to date reflects the additional council tax collection fund surplus of £59k due from one of the billing authorities as previously reported. The majority of the forecast overspend reflects the funding gap identified at the time of setting the budget in February.
Whole-time Pay (less Associate Trainers)	(97)	(275)	There are a number of factors contributing to the underspend on whole-time pay at the end of July. The most significant of which are: <ul style="list-style-type: none"> <li>• The Service currently holds four more vacancies than allowed for in the budget due to personnel retiring earlier than forecast and a slight shortfall in the</li> </ul>

			<p>number of recruits who commenced on station in April. This gives rise to an underspend of £25k.</p> <ul style="list-style-type: none"> <li>• However within the total staffing levels there are a number of vacancies at Watch Manager level, which are offset by Fire-fighters. This reflects the difficulty in filling some of the Trainer and Fire Safety posts, generating a further underspend of approx. £50k.</li> <li>• On a similar basis the number of personnel in development is higher than budgeted, which also means that fewer personnel are in receipt of CPD payments than allowed for. Both of these give rise to a further underspend of approx. £50k.</li> <li>• In addition a number of personnel have opted out of the pension scheme. The budget is based on the actual number of 'opt outs' at the time of setting the budget. However this has now increased to 35 with the 4 additional 'opt outs' generating a saving of approx. £20k</li> <li>• Offsetting this Associate Trainer costs are higher than budgeted, by £52k, reflecting additional usage of associates to cover vacancies at TOR and to meet temporary demand for trainers in excess of current staffing levels.</li> </ul> <p>As a result of these the overall whole-time budget is underspent by approx. £100k after 4 months of the year. However to put this into context that represents a variance of less than 1% of the budget at the end of July. Some of these variances are a timing issue, as new recruits start, personnel are promoted and as personnel achieve competency and are paid accordingly. This is reflected in the forecast outturn position shown, an anticipated underspend of £275k. However it is still early in the year to make any accurate predictions and we will continue to monitor and report on this.</p>
RDS Pay	14	42	The budget is broadly in line at the end of July. This is reflected in the forecast outturn position, which is based on average activity levels during the second half of the year, and vacancies remaining at a consistent level.
Support staff (less agency staff)	(53)	(130)	The underspend to date and forecast relates to vacant posts across various departments, which are in excess of the vacancy factor

			built into the budget. The majority of these vacancies are currently undergoing recruitment, although ICT and Knowledge Management remain problem areas. Note agency staff costs to date of £39k are replacing vacant support staff roles, this accounts for less than 2% of total support staff costs.
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### Capital Budget

The Capital Programme for 2019/20 stood at £7.5m following on from slippage and other changes to the programme approved at the May Resources Committee. Since then the budget has been amended to reflect the removal of the £0.2m budget relating to professional fees for the Preston Fire Station rebuild, following the May Resources Committees' decision to put the project on hold. This adjustment takes the revised budget to £7.3m.

A review of the programme is being undertaken to identify expected progress against the schemes during the year. The current position, shown in appendix 2 and summarised below, shows committed expenditure to the end of June of £2.9m: -

Area	Committed Expenditure to June 2019	Details
	£000	
Pumping Appliances	1,056	The budget allows for the remaining stage payments for 7 pumping appliances for the 2018/19 programme, for which the order had been placed in January 2018. In addition, the budget allows for the first stage payments of the 3 pumping appliances for the 2019/20 programme, given we are still finalising the vehicle specification for these, it appears unlikely that any costs will be incurred in the current year.
Other vehicles	698	This budget allows for the replacement of various operational support vehicles, the most significant of which are: <ul style="list-style-type: none"> <li>• Two Command Support Units (CSU), the requirements are still being finalised with Service Delivery prior to undertaking a procurement exercise; and</li> <li>• One Water Tower, which has been delivered during quarter one.</li> </ul> In addition to these, the budget allows for various support vehicles which are reviewed prior to replacement. We currently anticipate completing the purchase of all of these other than the Command Support Units, which are likely to slip into next year.
Operational Equipment	4	This budget allows for completion of the kitting out of three reserve pumping appliances, which were part of the 2018/19 programme, in addition to providing a £50k

		<p>budget for innovations in fire-fighting to be explored. This budget also allows for the progression of CCTV on pumping appliances, this project has been delayed due to capacity issues, hence it is not clear whether costs will be incurred in the current or next financial year.</p>
Building Modifications	270	<p>This budget allows for:</p> <ul style="list-style-type: none"> <li>• Provision of a new workshop, BA Recovery and Trainer facility at STC. We have completed design work and are in discussion with Chorley BC relating to planning permissions. We have selected a procurement framework and are commencing works to appoint a contractor/partner to take designs forward.</li> <li>• Refurbishment of the Fire House, where work was nearing completion at the end of June (actually completed in July), and where we have incurred costs of £270k to date.</li> <li>• Provision of an area training hub within the Northern area, and whilst works are on-going on design this facility, we require the approval of the PFI contractors before proceeding to the procurement stage;</li> <li>• Amendment to accommodation at Morecambe Fire Station to enable co-location with NWS, however, as referred to above, prior to moving to the procurement stage we require the approval of the PFI contractors;</li> <li>• Based on the latest stock condition survey, several stations have identified upgrades to dormitory and shower facilities. Plans have been finalised and are currently being costed prior to moving to procurement. The actual timing of works will vary depending on Property department capacity to deliver the works.</li> </ul> <p>Anticipated in-year spend will depend upon the final procurement route for the above projects and the timeframe for approval to proceed being granted by the PFI contractors</p>
IT systems	860	<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.</p> <p>The replacement station end project has now commenced with equipment ordered and due for delivery in the current calendar year, with installation following thereafter.</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. The order has been placed and work is</p>

		<p>underway to install this. We anticipate this project being completed in the current calendar year</p> <p>The budget also allows for replacement Storage Area Network, the hardware for which has been delivered in quarter one, and will be configured for use in due course. 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.</p>
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The committed costs to date will be met by revenue contributions and usage of capital reserves.

#### Delivery against savings targets

The following table sets out the savings targets identified during the budget setting process, hence removed from the 2019/20 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	1.046	0.349	0.492
Reduction in cleaning budget	0.030	0.010	0.012
Reduction in Fleet insurance budget	0.020	0.018	0.017
Reduction in Organisational Development budget	0.053	0.007	0.006
Reduction in Training Centre catering budget	0.025	0.008	0.011
Procurement savings (these are savings on contract renewals, such as energy and laundry of fire kit contracts)	-	-	0.036
Balance – cash limiting previously underspent non pay budgets	0.038	0.013	0.013
<b>Total</b>	<b>1.212</b>	<b>0.405</b>	<b>0.587</b>

The performance to date is ahead of target, largely due to savings in respect of staffing costs during the period. 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

<b>BUDGET MONITORING STATEMENT JULY 2019</b>	<b>Total Budget</b>	<b>Budgeted Spend to Jul 2019</b>	<b>Actual Spend to Jul 2019</b>	<b>Variance O/Spend (U/Spend)</b>	<b>Variance Pay</b>	<b>Variance Non-Pay</b>	<b>Forecast outturn</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Service Delivery</b>							
Service Delivery	34,387	11,765	11,733	(32)	4	(36)	(64)
Winter Hill	-	-	(94)	(94)	-	(94)	(94)
Training & Operational Review	3,952	1,479	1,434	(45)	(19)	(27)	(24)
Control	1,191	1,191	1,191	(0)	-	(0)	(0)
Prince's Trust Volunteers Scheme	100	(42)	(44)	(2)	-	(2)	(0)
Special Projects	13	12	12	0	-	0	6
<b>Strategy &amp; Planning</b>							
Fleet & Technical Services	2,696	977	995	18	6	11	52
Information Technology	2,550	878	850	(28)	(22)	(6)	(3)
Service Development	4,221	1,436	1,366	(70)	(68)	(2)	(34)
<b>People &amp; Development</b>							
Human Resources	682	221	213	(8)	(2)	(6)	11
Occupational Health Unit	268	93	74	(18)	(2)	(16)	(42)
Corporate Communications	310	103	91	(12)	3	(14)	(26)
Safety Health & Environment	197	66	68	2	1	1	2
<b>Corporate Services</b>							
Executive Board	1,103	397	389	(7)	(15)	8	1
Central Admin Office	789	262	258	(4)	(0)	(4)	(3)
Finance	140	47	46	(0)	0	(1)	(2)
Procurement	993	303	278	(25)	(23)	(1)	36
Property	1,414	498	595	98	1	97	21
External Funding	-	(9)	(9)	0	0	0	0
Pay							(382)
<b>TOTAL DFM EXPENDITURE</b>	<b>55,006</b>	<b>19,675</b>	<b>19,447</b>	<b>(228)</b>	<b>(136)</b>	<b>(92)</b>	<b>(544)</b>
<b>Non DFM Expenditure</b>							
Pensions Expenditure	1,313	632	619	(13)	-	(13)	(10)
Other Non-DFM Expenditure	(268)	(2,272)	(2,342)	(69)	(7)	(62)	360
<b>NON-DFM EXPENDITURE</b>	<b>1,045</b>	<b>(1,640)</b>	<b>(1,723)</b>	<b>(82)</b>	<b>(7)</b>	<b>(75)</b>	<b>349</b>
<b>TOTAL BUDGET</b>	<b>56,051</b>	<b>18,035</b>	<b>17,725</b>	<b>(310)</b>	<b>(143)</b>	<b>(167)</b>	<b>(194)</b>



<b>CAPITAL BUDGET JULY 2019</b>	<b>Revised Programme</b>	<b>Resources Sept</b>	<b>Revised Programme</b>	<b>Committed Exp</b>
<b>Vehicles</b>				
Pumping Appliance	1.206	-	1.206	1.056
Other Vehicles	1.436	-	1.436	0.698
	<u>2.642</u>	<u>-</u>	<u>2.642</u>	<u>1.755</u>
<b>Operational Equipment</b>				
Operational Equipment	0.182	-	0.182	0.004
	<u>0.182</u>	<u>-</u>	<u>0.182</u>	<u>0.004</u>
<b>Buildings Modifications</b>				
STC Redevelopment	1.520	-	1.520	0.270
NWAS Co-location - Morecambe	0.120	-	0.120	-
Area training hub - Morecambe	0.400	-	0.400	-
Enhanced station facilities	0.275	-	0.275	-
Lancaster Replacement	-	-	-	-
Preston Replacement	0.200	(0.200)	-	-
	<u>2.515</u>	<u>(0.200)</u>	<u>2.315</u>	<u>0.270</u>
<b>ICT</b>				
IT Systems	2.118	-	2.118	0.860
	<u>2.118</u>	<u>-</u>	<u>2.118</u>	<u>0.860</u>
<b>Total Capital Requirement</b>	<u>7.457</u>	<u>(0.200)</u>	<u>7.257</u>	<u>2.888</u>
<b>Funding</b>				
Capital Grant	1.000	-	1.000	-
Revenue Contributions	2.000	-	2.000	2.000
Earmarked Reserves	-	-	-	-
Capital Reserves	4.457	(0.200)	4.257	0.888
<b>Total Capital Funding</b>	<u>7.457</u>	<u>(0.200)</u>	<u>7.257</u>	<u>2.888</u>