

**LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE**

Meeting to be held on 27 November 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 is asked to note and endorse the financial position.

Information

Revenue Budget

The overall position as at the end of September shows an underspend of £0.4m. 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.

We previously reported that there was a potential shortfall of £273k in Section 31 grant in relation to Business Rates Relief for 2019/20. Although we have still not had confirmation, we believe that we met the criteria as set out by MHCLG in order for them to pay a one off grant of £273k. As such, we did not reduce the budgeted grant income for 2019/20.

In addition, since the last meeting we have received the balance of the 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 the full costs, leaving a surplus of £109k in year.

In terms of the year end forecast we had anticipated an underspend of approx. £0.3m due in the main to the additional grant for Winter Hill, for USAR and the adjustment to the council tax collection figure (as previously reported), As outlined in the Treasury Management Mid-Year Update report we are proposing making an additional voluntary Minimum Revenue Provision (MRP) payment of £187k, in order to reduce the borrowing requirement to zero, fully providing for existing loan repayment or to offset future loan drawdowns. After allowing for this the current year end forecast shows a £0.1m underspend.

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 30 Sept	Forecast Outturn at 31 March	Reason
	£'000	£'000	
Service Delivery	(63)	(73)	The variance to date and forecast outturn both reflect:- <ul style="list-style-type: none"> • An additional £58k of grant being allocated to the USAR Team by Government, this announcement only being made after the budget was set • The additional income generated at Preston due to the extension of the lease arrangement with Nwas until September 2020, generating an additional £25k in 19/20.
Winter Hill	(109)	(109)	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 £109k, the full cost of the incident.
Property	99	(8)	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	(101)	593	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 and the additional MRP contribution outlined earlier.
Whole-time Pay (less Associate Trainers)	(71)	(227)	There are a number of factors contributing to the underspend on whole-time pay at the end of September. The most significant of which are:

			<ul style="list-style-type: none">• The Service currently holds six more vacancies than allowed for in the budget due to personnel retiring earlier than forecast and a slight shortfall in the number of recruits who commenced on station in April. This gives rise to an underspend of £64k to date.• In addition, the grade mix of personnel and the high number paid at development rates of pay result in a further underspend of approx. £110k.• Overtime payments over the summer annual leave period have been higher than budgeted, reflecting the overall vacancies as highlighted above and the support provided to on-call stations, generating an overspend of £68k to date. Given the current recruits course is due to complete in January we anticipate the level of overtime reducing in the second half of the year.• 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.• Offsetting this, Associate Trainer costs are £55k higher than budgeted, reflecting additional usage of associates to cover vacancies at TOR and to meet temporary demand for trainers in excess of current staffing levels. <p>As a result of these the overall whole-time budget is underspent by approx. £71k after 6 months of the year. However to put this into context that represents a variance of less than 0.5% of the budget at the end of September.</p> <p>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 £227k. However this is dependent upon how many further personnel leave before reaching their projected retirement date.</p>
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RDS Pay	(1)	(18)	The budget is broadly in line at the end of September. 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)	(81)	(155)	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, with an assumed 3 month gap in costs (although recruitment of technical specialists in ICT and Knowledge Management continues to take longer). Note agency staff costs to date of £57k are replacing vacant support staff roles, this accounts for less than 2% of total support staff costs.

Capital Budget

The Capital Programme for 2019/20 stood at £7.3m, however following on from September Resources Committee we have amended the programme to remove the expected slippage as reported, hence the revised programme is now £3.6m. The slippage removed will be brought into the 2020/21 capital programme during the budget setting process, but for information are as follows:

Heading	Slipped £m	Reason
Pumping Appliances	0.130	Reflecting the anticipated first stage payments for the 3 appliances included in the 1920 original budget. As previously reported we are finalising the specification for these, therefore procurement is expected to take place in the new financial year.
Other Vehicles	0.455	Reflecting: <ul style="list-style-type: none"> the anticipated stage payments for 2 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, £0.4m, will slip over into 2020/21 The replacement of 2 pods which will be progressed in 2020/21
Operational Equipment & Future Firefighting	0.100	£100k associated with on-going research into CCTV on appliances has been removed to slip forwards to meet the future costs
Building Modifications	1.915	Reflecting: <ul style="list-style-type: none"> Fleet workshop facility £1.2m in 2019/20. The procurement route has been selected and in being

		<p>progressed, with any costs expected in the next financial year</p> <ul style="list-style-type: none"> • Morecambe Fire Station - provision of an area training hub and works to allow co-location for NWAS £0.5m. Approval from the PFI contractors is underway, and once received, both projects will move to a procurement phase • Enhanced station dormitory and shower facilities £0.2m. Part of the budget for this will need to move to 2020/21 due to ongoing costing of final plans, alongside departmental capacity to deliver the projects
IT systems	1.100	<p>£1.0m relates to the national Emergency Services Mobile Communications Project (ESMCP), to replace the Airwave wide area radio system. This national project has suffered lengthy delays to date, and it is likely that the budget will slip into 2020/21, therefore both the budget and associated grant have been moved into 2020/21.</p> <p>The balance of the slippage relates to the replacement of various systems, in line with the ICT asset management plan, where progress to date indicates any eventual spend will be incurred in 2020/21.</p>
Total	3.700	

In terms of the remaining programme, the current position, shown in appendix 2 and summarised below, shows committed expenditure to the end of September of £3.0m: -

Area	Committed Expenditure to Sept 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. Phased delivery of these vehicles is anticipated in the last quarter of the financial year.
Other vehicles	776	<p>This budget allows for the replacement of various operational support vehicles, the most significant of which was the Water Tower, which was delivered during quarter one.</p> <p>In addition to these, the budget allows for various support vehicles which are reviewed prior to replacement. We currently anticipate completing the purchase of the majority of these within the financial year.</p>

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 budget for innovations in fire-fighting to be explored.
Building Modifications	287	<p>This budget allows for:</p> <ul style="list-style-type: none"> • Refurbishment of the Fire House, where work was completed in July, and where we have incurred costs of £287k to date. • 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. <p>Anticipated in-year spend will depend upon the final procurement route for the above projects and on Property department capacity to deliver the works.</p>
IT systems	860	<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 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.</p> <p>The balance of the budget relates to the replacement of various systems, in line with the ICT asset management plan. Reviews carried out have identified two systems which do not need replacing at this time, hence the underspend shown. 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>

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 Sept	Savings at end of Sept
	£m	£m	£m
Staffing, including post reductions plus management of vacancies	1.046	0.523	0.687
Reduction in cleaning budget	0.030	0.015	0.015
Reduction in Fleet insurance budget	0.020	0.026	0.023
Reduction in Organisational Development budget	0.053	0.010	0.009
Reduction in Training Centre catering budget	0.025	0.013	0.018
Procurement savings (these are savings on contract renewals, such as energy and laundry of fire kit contracts)	-	-	0.060
Balance – cash limiting previously underspent non pay budgets	0.038	0.019	0.019
Total	1.212	0.606	0.831

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

BUDGET MONITORING STATEMENT SEPT 2019	Total Budget	Budgeted Spend to Sep 2019	Actual Spend to Sep 2019	Variance O/Spend (U/Spend)	Variance Pay	Variance Non-Pay	Forecast outturn
	£000	£000	£000	£000	£000	£000	£000
Service Delivery							
Service Delivery	34,000	17,272	17,300	28	91	(63)	(73)
Winter Hill	-	-	(109)	(109)	-	(109)	(109)
Training & Operational Review	3,829	1,964	1,907	(57)	(35)	(22)	(41)
Control	1,191	1,191	1,191	(0)	-	(0)	(0)
Youth Engagement (inc PTV)	122	123	108	(16)	-	(16)	(1)
Special Projects	13	12	12	0	-	0	0
Strategy & Planning							
Fleet & Technical Services	2,696	1,267	1,319	52	10	42	42
Information Technology	2,550	1,366	1,317	(49)	(39)	(10)	(10)
Service Development	4,221	2,116	1,991	(126)	(127)	1	(33)
People & Development							
Human Resources	682	352	348	(3)	(6)	3	5
Occupational Health Unit	268	136	101	(36)	(2)	(34)	(59)
Corporate Communications	310	154	143	(11)	3	(14)	(28)
Safety Health & Environment	197	93	101	8	8	(0)	(1)
Corporate Services							
Executive Board	1,103	572	552	(20)	(25)	5	(2)
Central Admin Office	789	387	380	(7)	(2)	(6)	(6)
Finance	140	70	70	(0)	1	(1)	(1)
Procurement	993	684	683	(1)	(31)	30	20
Property	1,875	1,027	1,128	101	1	99	(8)
External Funding	-	1	1	0	0	0	0
Pay							(427)
TOTAL DFM EXPENDITURE	54,979	28,788	28,542	(246)	(152)	(93)	(732)
Non DFM Expenditure							
Pensions Expenditure	1,313	823	781	(42)	-	(42)	(10)
Other Non-DFM Expenditure	(242)	(2,190)	(2,303)	(113)	(12)	(101)	593
NON-DFM EXPENDITURE	1,072	(1,367)	(1,522)	(154)	(12)	(142)	584
TOTAL BUDGET	56,051	27,420	27,020	(400)	(164)	(236)	(148)

APPENDIX 2

CAPITAL BUDGET 2019/20	Revised Programme	Resources Nov	Revised Prog	Committed Exp	Year End Forecast	Slippage	Est final Cost	Over/ (Under) Spend
Vehicles								
Pumping Appliance	1.206	(0.130)	1.076	1.056	1.056	-	1.056	(0.020)
Other Vehicles	1.436	(0.455)	0.981	0.776	0.981	-	0.981	0.001
	2.642	(0.585)	2.057	1.832	2.037	-	2.037	(0.019)
Operational Equipment								
Operational Equipment	0.182	(0.100)	0.082	0.004	0.082	-	0.082	-
	0.182	(0.100)	0.082	0.004	0.082	-	0.082	-
Buildings Modifications								
STC Redevelopment	1.520	(1.170)	0.350	0.287	0.350	-	0.350	-
NWAS Co-location - Morecambe	0.120	(0.120)	-	-	-	-	-	-
Area training hub - Morecambe	0.400	(0.400)	-	-	-	-	-	-
Enhanced station facilities	0.275	(0.225)	0.050	-	0.050	-	0.050	-
Lancaster Replacement	-	-	-	-	-	-	-	-
Preston Replacement	-	-	-	-	-	-	-	-
	2.315	(1.915)	0.400	0.287	0.400	-	0.400	-
ICT								
IT Systems	2.118	(1.100)	1.018	0.860	0.860	-	0.860	(0.158)
	2.118	(1.100)	1.018	0.860	0.860	-	0.860	(0.158)
Total Capital Requirement	7.257	(3.700)	3.557	2.983	3.379	-	3.379	(0.177)
Funding								
Capital Grant	1.000	(1.000)	-	-	-	-	-	-
Revenue Contributions	2.000	-	2.000	2.000	2.000	-	2.000	-
Earmarked Reserves	-	-	-	-	-	-	-	-
Capital Reserves	4.257	(2.700)	1.557	0.983	1.379	-	1.379	(0.177)
Total Capital Funding	7.257	(3.700)	3.557	2.983	3.379	-	3.379	(0.177)