

**LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE**

Meeting to be held on 25 November 2020

**FINANCIAL MONITORING 2020/21
(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 2020/21 revenue and capital budgets and performance against savings targets.

Recommendation

Resources Committee is requested to note and endorse the financial position, and approve the following virements:

- To create a Digital Transformation department to support digital enhancement, by moving staff and the associated staffing budgets totalling £332k from other departments (predominantly the ICT department);
- To reflect the receipt of £310k Protection Funding S31 grant income in order to fund posts within the newly created Protection Transformation department;
- To reflect the receipt of £150k Grenfell outcomes S31 grant income in order to invest in ensuring that the inquiry outcomes are met;
- To make an additional contribution of £275k into the capital programme to reflect the costs of the Service Training Centre (STC) workshop following completion of the tendering process and confirmation of anticipated costs as approved by the Member Tender Panel, and note the corresponding increase in the capital programme;
- To make an additional contribution of £32k into the capital programme to reflect the costs of the South Shore fire station refurbishment and extension following completion of the tendering process and confirmation of anticipated costs as approved by the Member Tender Panel, and note the corresponding increase in the capital programme.

Information

Revenue Budget

The overall position as at the end of September shows an underspend of £0.8m, largely as a result of reduced spend during the first quarter, due to the Covid-19 pandemic as planned expenditure had not progressed as previously reported. This position has continued to a large extent into quarter two, and although we are currently discussing with budget holders what impact this could have on their end of year budgetary position, any further lockdown period will have continued impacts on spending. In addition, it should be noted that this will have significant impacts on the outturn position for 2020/21, which is currently estimated to be circa £0.7m after allowing for the virements listed in the recommendations above. This will be updated and reported for the

remainder of the financial year, however it should be noted that Ministry of Housing, Communities and Local Government (MHCLG) have confirmed they will be carrying out the annual National Non-Domestic Rates 3 reconciliation, and be making payments where appropriate to Authorities in January 2021. For the last two years this has meant a receipt of circa £50k for the Authority, however we have not included anything in the forecast as reported as we are not guaranteed to receive anything.

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	(159)	(369)	The underspend for both the first six months and the outturn position largely relates to the reduced activity levels, in particular for car allowances and smoke detector purchases.
Protection Transformation	-	-	The Protection Transformation department has been created as a result of the Authority being able to access £310k in grant from the Home Office to support our protection work in the wake of the Grenfell tragedy. The proposed department structure was approved at July Planning Committee, which incorporated new posts funded by grant, and posts transferred from other existing structures. In addition, we received notification from the Home Office that we would be receiving £150k S31 grant in relation to the Grenfell inquiry outcomes, in particular to ensure that all Fire and Rescue Services have smoke hoods in place as a protection measure in the event of a major fire. We received the funding in early November, and the purchase of smoke hoods and smoke curtains is underway, with plans to spend the remainder of the funding (circa £100k) under discussion with Service Delivery.
Covid-19	-	-	As previously reported, we received total funding of £1.4m. We have spent £0.9m to date, with the balance being held in an earmarked reserve. It is expected that any further costs associated with the ongoing pandemic, such as enhanced cleaning, additional staff costs etc. will be met from this fund.

Youth Engagement	(118)	(30)	This budget includes both the Prince's Trust activities and the Fire Cadets units. The year to date position arises from the amended delivery model for Prince's Trust teams, where the residential fees and other team running costs are not being incurred. The forecast position anticipates the transfer of the balance of unspent Prince's Trust income into earmarked reserves to meet future running costs, but this will be brought for a decision during year end. Fire cadet units have not been running since March, hence the expected year end underspend.
Training & operational review	(66)	(124)	The year to date and outturn position both reflect training which should have taken place in quarter one being pushed back, and the reduced onsite catering requirement during this period. The outturn is based on an estimated level of training provision (including on-call and wholtime recruits) during the remainder of the year, which will be reviewed and monitored.
Fleet & Technical Services	(88)	(168)	The current underspend largely relates to vehicle repairs and maintenance, where the anticipated (and budgeted) increases in the hourly rates charged by Lancashire County Engineering Services has been mitigated thus far by careful management and scrutiny of repairs passed to LCES, with use of alternative contractors where cost effective to do so. In addition, we benefitted from free fuel offered by BP to emergency services during the first quarter, and there has also been a general reduction in spend on fuel and tyres.
Digital Transformation	-	-	The digital transformation department was created by moving staff from other departments (mainly Information Technology) to support the digital enhancement of the Service. Currently the department only has pay budgets, but non-pay budgets may be reviewed and moved over in due course.
Property	(140)	(145)	As non-essential maintenance was put on hold in quarter 1, the spend to date shows an underspend. Whilst non-essential maintenance has been re-instated departmental capacity and the ongoing situation means that we will not catch up

			from earlier underspends, hence the forecast year end underspend
Non DFM	195	759	Both the current and outturn positions reflect the £0.4m funding gap identified at the time of setting the budget in February. The tender process for STC workshop and South Shore refurbishment have both resulted in significant increases in costs reflecting a general shift in pricing in the construction industry, as well as additional site overheads to meet new Covid requirements and design amendments. The Member Tender Panel has approved the award of both these contracts and the resultant increase in the capital programme, noting that this could be met from additional in-year revenue contributions due to the existing underspend. As such the outturn also reflects the additional Revenue Contribution to Capital Outlay of £0.3m in respect of these projects.
Wholetime Pay (including associate trainers)	(469)	(638)	In anticipation of reduced staffing levels due to the pandemic 16 existing On Call staff who had been successful in the Wholetime recruitment campaign and who were initially due to commence on the recruits course in September were allowed to commence riding Wholetime appliances in May. This ceased once they commenced the recruits course in September. The additional cost of this is more than offset by additional 12 early leavers since the budget was initially set. In addition, vacant posts are effectively budgeted at Firefighter rates, however there are a number of vacancies within TOR, Fire Safety and Service Development at higher grades, resulting in a further underspend. The Protection Transformation funding of £310k reported above will be used to fund additional wholetime Protection posts, however there won't be additional recruitment within the year to fill gaps arising within Service Delivery, hence the outturn position reported. The outturn position includes the completion of the September course and the anticipated January recruits course in addition to all of the above.

RDS Pay	212	366	The overspend reflects activity related payments for the first three months, which can be attributed to several moorland fire incidents during the period, a 36% higher activity level than the corresponding quarter last year. Although these payments have reduced in quarter two, they are still 10% higher on average than the previous year. We are currently assuming that these will continue at broadly the same levels for the rest of the year. We will monitor the situation over the coming months and update in due course.
Support staff (less agency staff)	(74)	(92)	The underspend to date relates to vacant posts across various departments, which are in excess of the vacancy factor built into the budget. Due to the initial cessation of recruitment activity due to the pandemic, and subsequent reduced recruitment activity, it is unknown when some of these posts might be filled, however it is clear there will be an underspend by the end of the financial year. Note agency staff costs to date of £22k are replacing vacant support staff roles, this accounts for less than 1% of total support staff costs.

Capital Budget

The Capital budget for 2020/21 stood at £10.9m. Following on from recent Member Tender Panel approvals, we are proposing to increase this for:

- £275k in respect of the costs for the STC Workshop project;
- £32k in respect of the costs for the South Shore fire station refurbishment and extension.

These changes take the revised total budget to £11.2m.

There has been very little spend against the resultant 2020/21 programme, just £0.7m, largely against vehicles, as departments have been dealing with the impacts of the ongoing pandemic. We continue to review the impact of the pandemic on anticipated in-year spend, and have provided an estimated forecast of slippage in Appendix 2, but it is clear that there will be significant slippage, circa £8.4m, again this year. The current position against the programme is set out below, with further details in Appendix 2: -

Pumping Appliances	The budget allows for the remaining stage payments for 7 pumping appliances for the 2018/19 programme, which have all now been built and inspected and are undergoing the pre-delivery process, with anticipated deliveries taking place in December & January.
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	<p>In addition, the budget allows for the purchase of 3 pumping appliances for the 2019/20 programme, and 2 pumping appliances for the 2020/21 programme, all of which have been delayed pending consideration of the specification and are expected to slip into the next financial year.</p>
Other vehicles	<p>This budget allows for the replacement of various operational support vehicles, the most significant of which are:</p> <ul style="list-style-type: none"> • Two Command Support Units (CSU), the documentation is being prepared in order to begin the procurement exercise in the new year; • One Water Tower; • One Aerial Ladder Platform; • One all-terrain vehicle <p>None of the above items are expected to be progressed to completion within the year, and are included in the slippage.</p> <p>In addition to these, the budget allows for various support vehicles which are reviewed prior to replacement, but are being progressed with further spend anticipated prior to the year end.</p>
Operational Equipment/Future Firefighting	<p>This budget allows for completion of the kitting out of three reserve pumping appliances, in addition to providing a £50k budget for innovations in fire-fighting which are still being considered.</p> <p>This budget also allows for the progression of CCTV on pumping appliances, which is not expected to be spent during the financial year due to capacity issues within Fleet Services department.</p>
Building Modifications	<p>This budget allows for:</p> <ul style="list-style-type: none"> • Provision of a new workshop, BA Recovery and Trainer facility at STC. Following completion of the tender process we have increased the total budget to £4.5m. Work will shortly begin on site, however the majority of the budget will be spent in the next financial year; • NWAS co-location at Morecambe, which depends on arrangements with the PFI provider, but now seems likely to slip into the next financial year; • Based on the latest stock condition survey, several stations had budgeted upgrades to dormitory and shower facilities. A contract for South Shore refurbishment has been awarded, with works currently on site. However, the majority of spend on other upgrades will move into the following financial year, • We have included budgetary provision for a drill tower replacement plan, and will seek to replace a notional 2 towers per year over the 5 year programme. Work is on-going to agree the

	specifications and priorities for this programme, and hence spend will slip into next year.
IT systems	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, hence is included within slippage into the next financial year. The balance of the budget relates to the replacement of various systems, in line with the ICT asset management plan. Whilst initial scoping 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. Given the ongoing situation we only expect an outturn spend of circa £100k in the current year.

The committed costs to date will be met by revenue contributions.

Delivery against savings targets

The following table sets out the savings targets identified during the budget setting process, hence removed from the 2020/21 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	0.054	0.027	0.356
Draw down apprenticeship levy	0.215	0.108	0.091
Reduction in general reserve & unidentified savings target budgets	0.240	0.120	0.120
Reduction in Property utilities/rates budgets	0.085	0.043	0.071
Reduction in smoke detector purchase budgets	0.033	0.016	0.081
Procurement savings (these are savings on contract renewals, such as energy and laundry of fire kit contracts)	0.020	0.010	0.049
Balance – cash limiting previously underspent non pay budgets	0.093	0.046	0.046
Total	0.740	0.370	0.813

The performance to date is ahead of target, largely due to savings in respect of smoke detectors and Procurement savings. 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 2020	Total Budget	Budgeted Spend to Sep 2020	Actual Spend to Sep 2020	Variance O/Spend (U/Spend)	Variance Pay	Variance Non-Pay	Forecast outturn
	£000	£000	£000	£000	£000	£000	£000
Service Delivery							
Service Delivery	35,155	17,749	17,661	(89)	70	(159)	(369)
Protection Transformation	-	(143)	(173)	(29)	(29)	0	0
Covid-19	-	-	-	-	-	-	-
Control	1,214	1,214	1,214	0	-	0	1
Youth Engagement (inc PTV)	22	129	11	(118)	-	(118)	(30)
Special Projects	13	13	17	4	-	4	4
	36,403	18,962	18,730	(232)	40	(273)	(394)
Strategy & Planning							
Service Development	4,259	2,143	1,982	(161)	(140)	(21)	(49)
Training & Operational Review	3,782	1,961	1,797	(164)	(98)	(66)	(124)
Fleet & Technical Services	2,822	1,544	1,449	(95)	(7)	(88)	(168)
Information Technology	2,626	1,199	1,202	3	6	(3)	(6)
Digital Transformation	333	147	79	(68)	(68)	-	-
	13,822	6,994	6,509	(486)	(307)	(178)	(347)
People & Development							
Human Resources	651	337	323	(14)	9	(23)	(27)
Occupational Health Unit	241	116	97	(19)	(1)	(18)	(35)
Corporate Communications	314	156	119	(38)	(23)	(15)	(22)
Safety Health & Environment	234	104	105	0	4	(4)	(9)
	1,439	714	643	(71)	(11)	(60)	(93)
Corporate Services							
Executive Board	1,058	550	531	(19)	(10)	(10)	(27)
Central Admin Office	807	397	344	(52)	(47)	(6)	(11)
Finance	142	71	78	7	8	(0)	(1)
Procurement	927	602	576	(26)	5	(31)	(49)
Property	1,831	954	803	(151)	(11)	(140)	(145)
External Funding	-	(12)	(13)	(1)	0	(2)	0
	4,765	2,561	2,318	(243)	(54)	(188)	(233)
Pay							(395)
TOTAL DFM EXPENDITURE	56,429	29,231	28,200	(1,031)	(332)	(699)	(1,463)
Non DFM Expenditure							
Pensions Expenditure	1,309	830	867	37	-	37	(14)
Other Non-DFM Expenditure	(399)	(2,588)	(2,389)	199	4	195	759
NON-DFM EXPENDITURE	910	(1,758)	(1,522)	236	4	232	745
TOTAL BUDGET	57,339	27,473	26,677	(795)	(328)	(467)	(718)

APPENDIX 2

CAPITAL BUDGET 2020/21	Revised Programme	Resources Nov	Revised Prog	Committed Exp	Year End Outturn	Slippage	Est final Cost	Over/ (Under) Spend
Vehicles								
Pumping Appliance	1.398	-	1.398	0.318	0.336	(1.060)	1.396	(0.002)
Other Vehicles	2.280	-	2.280	0.274	0.445	(1.836)	2.280	-
	3.678	-	3.678	0.592	0.781	(2.896)	3.676	(0.002)
Operational Equipment								
Operational Equipment	0.177	-	0.177	-	0.027	(0.150)	0.177	-
	0.177	-	0.177	-	0.027	(0.150)	0.177	-
Buildings Modifications								
STC Workshop	4.200	0.275	4.475	0.082	1.000	(3.475)	4.475	-
NWAS Co-location - Morecambe	0.132	-	0.132	-	-	(0.132)	0.132	-
Enhanced station facilities	0.625	0.032	0.657	-	0.307	(0.350)	0.657	-
Drill tower replacements	0.200	-	0.200	-	-	(0.200)	0.200	-
	5.157	0.307	5.464	0.082	1.307	(4.157)	5.464	-
ICT								
IT Systems	1.895	-	1.895	-	0.100	(1.795)	1.895	-
	1.895	-	1.895	-	0.100	(1.795)	1.895	-
Total Capital Requirement	10.907	0.307	11.214	0.674	2.215	(8.998)	11.212	(0.002)
Funding								
Capital Grant	1.000	-	1.000	-	-	(1.000)	1.000	-
Revenue Contributions	2.150	0.307	2.457	0.674	2.457	-	2.457	-
Earmarked Reserves	-	-	-	-	-	-	-	-
Capital Reserves	7.757	-	7.757	(0.000)	(0.242)	(7.998)	7.755	(0.002)
Total Capital Funding	10.907	0.307	11.214	0.674	2.215	(8.998)	11.212	(0.002)