

**LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE**

Meeting to be held on 30 November 2016

**FINANCIAL MONITORING 2016/17
(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 2016/17 revenue and capital budgets and performance against savings targets.

Recommendation

The Committee is requested to note the financial position, and approve the change to the capital programme.

Information

Revenue Budget

The overall position as at the end of October shows an under spend of £1.4m. We continue to monitor variances for emerging savings opportunities which will be reflected in the forthcoming budget setting process. We are currently forecasting a year end underspend of around £2.3m based on known areas of underspend.

The position within individual departments is 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	Over/(Under) spend at 31 Oct	Forecast Outturn	Reason
	£'000	£'000	
Training & Operational Review	(55)	(253)	The underspend to date relates to savings in respect of bringing the training centre catering provision back in house, which has been reflected in the 2017/18 budget, following the first full year's results. In addition, work is on-going to refine the various work streams relating to the additional £0.3m investment in organisational development however these have not yet concluded, therefore this will be underspent at year end.

Property	(198)	(169)	<p>The underspend relates to spend against planned repairs and maintenance as property department capacity is almost fully occupied with the working on the current capital projects. It is expected that this will result in a similar level of underspend by year end. In addition it reflects previous year's investment in property assets. A full stock condition survey is currently underway, which will indicate where and how much future investment may be required. The repairs and maintenance budget for 2017/18 has been reduced by £100k in anticipation of the expected results.</p>
Service Delivery	(227)	(366)	<p>The underspend reflects the continued reductions in spending across many budget headings, for which next year's budget has been reduced, the single most significant element of which is the ongoing underspend on smoke detectors and fire safety consumables as the new Home Fire Safety Check process continues to be embedded within the service.</p> <p>Utilities are also forecast to be underspent, reflecting past and ongoing energy efficiency measures.</p> <p>Next year's budget will be adjusted to reflect the out-turn position.</p>
Pay wholetime -	(425)	(786)	<p>The majority of the underspend relates to difference between budgeted staffing numbers and actual staffing number.</p> <p>Personnel have continued to leave the service without accruing full pension benefits, with a further 14 personnel doing this since the budget was set, and we anticipate a further 4 more between now and the year end. (This was not allowed for in the original budget proposal as it was not clear whether this was related to changes to the pension schemes or not, however it is now apparent that this trend will continue and hence next year's budget will be amended to reflect this.)</p> <p>Whilst recruitment has taken place in year this is lower than originally allowed for in the budget and is also later in the year, resulting in an underspend. This situation is further compounded by the fact that the new recruits have all come from the retained duty system personnel meaning that the recruit's course is considerably shorter, 4 weeks instead of 13, resulting in a further underspend.</p>

			<p>The final element of underspend relates to a combination of the timing of costs of ad hoc payments such as overtime and public holidays, and the mix of personnel in each of the pension schemes. All of these have been reviewed and updated as part of next year's budget setting exercise.</p>
Pay - RDS	(284)	(777)	<p>The underspend relates to the shortfall in respect of hours of cover provided, which are higher than allowed for in the budget, reflecting the on-going issues in terms of recruitment and retention. This is compounded by a greater number of RDS personnel still being in development than forecast, again reflecting turnover rates.</p> <p>The current wholetime recruitment could potentially create further reductions in hours of cover as 27 RDS staff has now begun their wholetime recruits course dependent on their subsequent ability to carry out dual roles. However we have further RDS recruitment exercises planned to alleviate the issue. This will be reflected in future forecast updates.</p> <p>The Retained budget also includes an additional £600k in relation to the Strengthening and Improving RDS project. However in order to achieve the maximum benefits from the investment we have undertaken a lengthy process to develop options, in conjunction with RDS personnel, which has delayed the implementation of any change and hence has led to an underspend on this.</p> <p>It is worth noting that the RDS Pay review has one of its key objectives to design a scheme which results in improved recruitment, retention and availability. This is nearing completion, currently being out to consultation, with any proposed changes due to be implemented at the start of the new financial years, subject to the outcome of the consultation process and Authority approval of a final scheme. It is proposed that an earmarked reserve is created as part of the year end process to meet any protection costs associated with the final scheme, full details of which will be identified once a scheme is agreed.</p>

Pay – Support Staff	(210)	(370)	The underspend relates to turnover of various specialist and administrative roles during the year, when we had assumed that as all previous staffing reviews had been implemented prior to the start of the year there would be minimal changes. This has been reflected in next year's budget by increasing assumed vacancies to 2.5%. In addition, specialist roles relating to the creation of additional capacity within ICT have proved difficult to recruit to.
Non-DFM	15	599	The year-end position reflects the additional transfer to reserves relating to the redevelopment of Lancaster Fire Station and Fleet workshop, as referred to below.

We are still finalising budget options for next year, for presentation to the Authority in December, and this will incorporate options relating to the treatment of the anticipated year end underspend.

Capital Budget

The Capital Programme for 2016/17 stood at £8.223m, however additional budget has been added to reflect potential additional costs related to Lancaster redevelopment and relocation of Fleet garage, as set out below. Allowing for this the revised capital budget stands at £8.823m. A review of the programme has been undertaken to identify progress against the schemes as set out below: -

	Committed spend to Oct 16 £m	Forecast Slippage Into 1718 £m	
Pumping Appliances	0.964	-	Committed spend to date relates to the purchase of 5 pumping appliances for the 2016/17 programme, which have been ordered and are currently in build, we anticipate these will be delivered by March 2017. We are forecasting a £14k overspend on this as final contract prices were marginally higher than anticipated. This has been built into future capital budgets.
Other vehicles	0.132	(0.416)	Committed spend to date relates to various support vehicles which have either been delivered or have been ordered. The slippage relates to:- <ul style="list-style-type: none"> the remaining planned support vehicles replacements, which are ordered and will be delivered in the new financial year, or are being reviewed prior to replacement.

			<ul style="list-style-type: none"> the replacement of 2 driver training vehicles (DTVs) for which specification options are currently being considered with a likely procurement date in the new financial year.
Operational Equipment / Future Firefighting	0.340	(0.390)	<p>This £1m budget was set aside to meet the costs of innovations in firefighting equipment, and the spend to date and year end position reflects the purchase of various items, including:</p> <ul style="list-style-type: none"> an Unmanned Aerial Vehicle (UAV) or drone, which is now operational. the committed costs of trialling a new vehicle type to use as a water tower due for delivery in December. the purchase of flood suits for all operational staff along with various items of flood rescue equipment. the purchase of stabilisation struts for operational use during rescues involving crashed vehicles, or collapsed/damaged property. We are currently regionally reviewing the potential use of body worn cameras for operational use for learning from incidents, and for staff protection in certain locations. <p>In addition, we are exploring the use of technical rescue jackets for non-fire related incidents regionally, however this is unlikely to result in spend during the current financial year so will slip forwards to 2017/18.</p>
Building Modifications	1.636	(2.317)	<p>The majority of committed spend to date relates to the purchase of the property adjacent to Lancaster fire station in order to facilitate the redevelopment of the site. In addition we have made the first stage payments for both the refurbishment of Carnforth fire station and the build of the Multi-Compartment Fire Fighting prop at Training Centre.</p> <p>The forecast slippage relates to:-</p> <ul style="list-style-type: none"> the remainder of the budget for the provision of a replacement for Lancaster Fire Station, incorporating a joint Fire & Ambulance facility, following the purchase of the adjacent site, for which the contract is expected to be formally awarded by mid-December. The lowest tender in relation to this is subject to clarification. Discussions have also been

			<p>on-going with the Council in respect of the strip of land that we currently lease for car parking spaces and whilst it is not essential to the development the purchase of this would enhance the overall scheme. The potential increase in costs is reflected in the revenue contribution to capital outlay highlighted earlier.</p> <ul style="list-style-type: none"> • completion of the remaining items of capital works at the Training Centre site. • the relocation of the Fleet workshop to Training Centre, with a final design and costings being developed in relation to this. In order to provide greater future proofing the scope of the design has increased, with the latest cost estimate being £0.4m. The increase in costs is reflected in the revenue contribution to capital outlay highlighted earlier.
IT systems	0.060	(0.630)	<p>Committed spend to date relates to the final stages of the phased implementation of the replacement asset management system began during the last financial year, and the upgrade of the Community Risk Management Information System (CFRMIS).</p> <p>The slippage relates to:-</p> <ul style="list-style-type: none"> • Initial costs of the national Emergency Services Mobile Communications Project (ESMCP) to replace the Airwave wide area radio system – with further budgetary provision included in the 2017/18 draft capital programme • the replacement of the wide area network (WAN) to allow a solution to be in place when current service contracts are due to end during 2017/18 • The replacement of various systems, in line with the ICT asset management plan, however these are reviewed prior to starting the replacement process.

Appendix 2 sets out the capital programme and the expenditure position against this, as reflected above. The costs to date will be met largely by revenue contributions, with capital grant funding the costs to date of Lancaster Redevelopment.

Delivery against savings targets

The following table sets out the savings targets identified during the budget setting process, hence removed from the 2016/17 budget, and performance to date against this target: -

	Annual Target	Target at end of Oct	Savings at end of Oct
	£m	£m	£m
Staffing, including Emergency Cover Review outcomes, Prevention & Protection Review outcomes, functional saving reviews plus management of vacancies	1.512	0.683	1.598
Reduction in capital financing charges	0.284	0.166	0.166
Reduction in service delivery non pay budgets including the smoke detector budgets	0.145	0.084	0.185
Removal of the contribution to Greater Manchester FRS in respect of their Urban Search And Rescue team	0.122	0.071	0.071
Reduction in Fleet repairs and maintenance and fuel budgets	0.068	0.040	0.039
Reduction in Property repairs and maintenance and utilities budgets	0.034	0.020	0.180
Procurement savings (these are savings on contract renewals, such as waste collection and stationery contracts)	-	-	0.114
Balance – cash limiting previously underspent non pay budgets	0.337	0.196	0.196
Total	2.502	1.261	2.550

The performance to date is ahead of target, a combination of the underspend on salaries for the year to date, plus savings in respect of procurement activities during the same 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:		

**BUDGET MONITORING
STATEMENT**

Oct 2016

	Total Budget	Budgeted Spend to Oct 2016	Actual Spend to Oct 2016	Variance O/Spend (U/Spend)	Variance Pay	Variance Non- Pay	Forecast Outturn at Oct 2016
DFM Expenditure	£000	£000	£000	£000	£000	£000	£000
Training & Operational Review	3,255	1,833	1,766	(67)	(12)	(55)	(253)
Fleet & Technical Services	2,358	1,401	1,405	5	4	1	22
Executive Board	998	595	585	(11)	5	(15)	(36)
Corporate Communications	285	176	171	(5)	3	(8)	(21)
Human Resources	502	310	292	(17)	(7)	(10)	(11)
Occupational Health Unit	234	142	118	(24)	26	(50)	(85)
Central Admin Office	427	248	228	(21)	(24)	4	6
Finance	142	83	82	(1)	(1)	(0)	(0)
Procurement	731	419	382	(37)	(13)	(24)	(41)
Property	1,460	882	679	(203)	(5)	(198)	(169)
Safety Health & Environment Prince's Trust Volunteers Scheme	156 0	91 148	86 201	(5) 53	5 -	(9) 53	(7) (4)
Service Development	3,673	2,197	2,110	(87)	(52)	(34)	(50)
Control	1,092	819	820	0	-	0	1
Information Technology	2,287	1,283	1,267	(16)	(59)	43	14
Service Delivery	32,039	18,769	17,756	(1,013)	(786)	(227)	(366)
External Funding	-	18	19	1	0	1	2
Special Projects	6	4	8	4	-	4	1
Pay							(2,025)
TOTAL DFM EXPENDITURE	49,646	29,417	27,975	(1,442)	(916)	(526)	(3,023)
Non DFM Expenditure							
Pensions Expenditure	1,257	803	874	71	-	71	122
Other Non-DFM Expenditure	4,708	1,255	1,271	15	1	15	599
NON-DFM EXPENDITURE	5,965	2,058	2,145	87	1	86	721
TOTAL BUDGET	55,611	31,475	30,120	(1,355)	(915)	(440)	(2,302)

APPENDIX 2

CAPITAL BUDGET 2016/17	Revised Programme	Nov Resources	Revised Programme	Projected to Date	Actual Expenditure	Variance to Date	Year End Forecast	Slippage	Estimated final Cost	Over/ (Under) Spend
Vehicles										
Pumping Appliance	0.950	-	0.950	0.950	0.964	0.014	0.964	-	0.964	0.014
Other Vehicles	0.550	-	0.550	0.329	0.132	(0.197)	0.134	(0.416)	0.550	(0.000)
	1.500	-	1.500	1.279	1.096	(0.183)	1.098	(0.416)	1.514	0.014
Operational Equipment										
Operational Equipment	1.000	-	1.000	0.583	0.340	(0.243)	0.610	(0.390)	1.000	-
	1.000	-	1.000	0.583	0.340	(0.243)	0.610	(0.390)	1.000	-
Buildings Modifications										
STC Redevelopment	0.852	0.200	1.052	0.497	0.020	(0.477)	0.200	(0.852)	1.052	-
Day Crewing Plus	0.008	-	0.008	0.008	0.008	0.000	0.008	0.000	0.008	-
Lancaster Replacement	3.692	0.400	4.092	2.154	1.527	(0.627)	2.027	(2.065)	4.092	-
Other works	0.468	-	0.468	0.184	0.081	(0.103)	0.461	-	0.461	(0.007)
	5.020	0.600	5.620	2.843	1.636	(1.206)	2.696	(2.917)	5.613	(0.007)
ICT										
IT Systems	0.703	-	0.703	0.432	0.060	(0.372)	0.063	(0.630)	0.693	(0.010)
	0.703	-	0.703	0.432	0.060	(0.372)	0.063	(0.630)	0.693	(0.010)
Total Capital Requirement	8.223	0.600	8.823	5.138	3.132	(2.005)	4.466	(4.353)	8.820	(0.003)
Funding										
Capital Grant	2.640	-	2.640	2.270	1.527	(0.744)	2.027	(0.567)	2.593	(0.047)
Revenue Contributions	2.930	0.600	3.530	2.867	1.605	(1.262)	2.440	(1.090)	3.530	-
Earmarked Reserves	0.200	-	0.200	-	-	-	-	(0.200)	0.200	-
Capital Reserves	2.453	-	2.453	-	-	-	-	(2.496)	2.496	0.043
Total Capital Funding	8.223	0.600	8.823	5.138	3.132	(2.005)	4.466	(4.353)	8.820	(0.003)