

Lancashire Combined Fire Authority Resources Committee

Meeting to be held on 28 September 2022

Financial Monitoring 2022/23 (Appendices 1 and 2 refer)

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Table 1 Executive Summary and Recommendations

<p>Executive Summary</p> <p>The report sets out the current budget position in respect of the 2022/23 revenue and capital budgets.</p> <p>Recommendation</p> <p>The Committee is requested to</p> <ul style="list-style-type: none">• note and endorse the financial position• approve slippage of £5.7m into 2023/24
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Revenue Budget

The overall position at the end of August is an overspend of £0.3m, largely as a result of price increases associated with energy and fuel.

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: -

Table 2 Details of current budget position by department

Area	Overspend/ (Under spend)	Reason
	£'000	
Fleet & Technical services	104	The increase in fuel prices is reflected in the overspend to date. The budget allowed for 12.5% increase in fuel costs, but the actual increase is significantly higher than this, approx. 50%, which equates to approx. £125k. In terms of usage it is too early to base any year end forecast on this, but clearly, we will continue to monitor the situation. In addition repairs costs have increased reflecting works needed in the first quarter of the year and the increase in costs due to inflationary pressures.
Information Technology	84	The overspend to date is attributable to combination of the timing of expenditure, with software licenses being paid up front, and a general increase in costs, again reflecting inflationary pressures.

Property	190	The increase in energy prices is reflected in the overspend to date. The budget allowed for 25% increase in fuel costs, but the actual increase is significantly higher than this, approx. 100%, which equates to approx. £300k. In terms of usage it is too early to base any year end forecast on this, but clearly, we will continue to monitor the situation. In addition we have seen an increase in maintenance costs aligned with inflationary pressures, which will potentially lead to further overspend in year but again it is too early to predict that at the present time.
Wholetime Pay	(73)	The majority of the underspend is attributable to the slight shortfall in recruit numbers at the start of the year. Retirements and leavers are broadly in line with forecast.
On Call Pay	34	This is broadly in line with budget.
Support staff (less agency staff)	60	The budget was adjusted to take account of the increased level of vacant support post within the Service. Whilst a number of posts remain vacant, we are utilising agency staff to fill some of these, resulting in an overspend to date, however we anticipate this slowing down in the second half of the year as we anticipate recruiting to posts reducing the reliance on agency staff.
Apprentice Levy	(16)	The apprentice levy is payable at 0.5% of each month's payroll costs. As can be seen expenditure is slightly less than budgeted.

As highlighted above inflationary pressures are causing costs to increase in several areas, most notably fuel and energy. We are currently reviewing forecast usage/costs in order to estimate our likely out-turn position. However far more significant than this is the potential costs associated with pay awards. As Members will recall the budget allowed for 2% pay awards for both grey and green book personnel. The current pay offer for green book personnel approximates to 5% and whilst the existing pay offer for grey book personnel is one of 2% it appears unlikely that this will be accepted (the FBU have announced they intend to ballot members on this). As such it is clear that our existing budgetary provision will be insufficient to meet in year pay increases. In order to provide indicative figures, if the overall pay budget increases by 5% (in line with the current green book offer) as opposed to the 2% budget we will be looking at a shortfall in excess of £1m.

Clearly, we will not be able to identify in-year savings to offset this and would therefore need to utilise reserves to do so. We currently hold £6.0m of general reserves, having agreed a minimum level of £4.0m, and as such are able to utilise £2.0m of this to offset any in year pressures, although clearly this is a short-term measure only.

We will review our anticipated spend in order to identify a year end forecast for reporting to the November Resources Committee.

Capital Budget

The capital budget currently stands at £9.0m, after allowing for the year end slippage agreed at the previous Committee meeting. Spend to date is just £0.5m.

We have also been reviewing the latest year end forecasts for the various capital projects, and are currently anticipating an in-year spend of £3.3m. This will lead to slippage of £5.7m, a very significant number but one which, for the main part, is attributable to market conditions.

As such the following table shows spend to date as well as the anticipated year end position, with further details in Appendix 2: -

Table 3 Details of current and forecast capital spend during the year by spend category

	Spend to 30 August	Year End Forecast	
	£m	£m	
Operational vehicles	-	0.9	<p>The budget allows for the replacement of various operational vehicles. We have already ordered 13 pumping appliances (7 this year and 6 next year), 2 Command Units and an ALP.</p> <p>Having reviewed lead times, and staged payment dates, we are currently anticipating a year end spend of approximately £0.9m, resulting in slippage of £2.2m.</p> <p>This will be kept under review, and will be subject to change due to the current difficulty in obtaining raw materials etc.</p>
Support vehicles	0.1	0.4	<p>This budget allows for the replacement of various operational support vehicles, whilst some of these have already been delivered, the shortage of raw materials is affecting both the timeframe for delivery and the cost of vehicles. Latest predictions indicate that approx. 50% of the programme will be completed in year, at a cost of £0.4m, with the balance slipping into 2023/24.</p>
Operational Equipment	0.1	0.3	<p>We anticipate spending £0.3m on piloting CCTV on a number of pumping appliances and the replacement of light portable pumps.</p> <p>However it appears unlikely that we will incur any in year expenditure in respect of the replacement of cutting and extrication equipment where the project is in the early stages and where costs may change depending on the type of equipment purchased and whether this is a whole scale replacement or not. We therefore anticipate slipping this budget (£1.5m into next year)</p>
Building Modifications	0.3	0.8	<p>This budget allows for:</p> <ul style="list-style-type: none"> • The replacement of 4 drill towers, where one tower, Blackpool, was completed in June, and where contracts have now been let for a further 2 towers, Tarleton and Bolton le Sands, both of which will be completed by the end of the year. • Enhanced facilities at Hyndburn fire stations, where works have commenced and will be completed by October • We have removed the budget of £0.2m for fees associated with developing plans for the replacement of Preston Fire Station, as this is unlikely to occur in the current financial year.

IT systems	-	0.9	<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, hence is included within slippage into the next financial year.</p> <p>The balance of the budget relates to the replacement of various systems and ICT hardware, in line with the ICT asset management plan. Whilst no costs have been incurred in the year so far, it is worth highlighting that we have awarded contracts or are in the process of doing so for several of the systems, with anticipate year end spend of £1.0m.</p> <p>The balance of the budget, £0.5m, relates to systems/replacements which are likely to slip into 2023/24.</p>
Total	0.5	3.3	

The costs to date will be met by revenue contributions.

It is still worth highlighting that we continue to see significant cost increases across various supply chains, and in particular in construction projects and this will affect some of the capital projects as they progress through the procurement stage.

Business Risk

None

Environmental Impact

None.

Equality and Diversity Implications

None.

HR Implications

None.

Financial Implications

As set out in the report.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper:

Date:

Contact:

Reason for inclusion in Part 2 if appropriate: N/A

Appendix 1

Table 4 Revenue Budget Monitoring Statement

	Budget	Year To Date Budget	Year To Date Spend	Variance O/Spend (U/Spend)	Variance Pay	Variance Non-Pay
	£000	£000	£000	£000	£000	£000
Service Delivery						
Service Delivery	36,113	14,832	14,834	2	76	(74)
Prevention & Protection	2,972	1,058	989	(69)	(50)	(20)
Covid-19	-	-	0	0	-	0
Control	1,346	690	690	0	-	0
Youth Engagement (inc Princes Trust)	52	14	(1)	(14)	-	(14)
Special Projects (ISAR)	13	5	5	(1)	-	(1)
Strategy & Planning						
Service Development	1,552	661	649	(12)	15	(27)
Training & Operational Review	4,306	2,083	2,004	(80)	(129)	50
Fleet & Technical Services	2,709	1,317	1,417	101	(4)	104
Information Technology	2,855	1,302	1,398	96	12	84
Digital Transformation	537	158	181	23	14	9
People & Development						
Human Resources	880	366	418	52	21	31
Occupational Health Unit	242	96	115	19	(3)	22
Corporate Communications	341	140	165	26	24	2
Safety Health & Environment	242	103	91	(12)	(1)	(11)
Corporate Services						
Executive Board	1,064	471	479	7	14	(7)
Central Admin Office	866	353	308	(46)	(43)	(3)
Finance	152	72	77	5	5	0
Procurement	863	402	415	13	26	(13)
Property	2,283	1,055	1,252	198	8	190
External Funding	3	(1)	0	1	(1)	1
Pay						
TOTAL DFM EXPENDITURE	59,389	25,179	25,488	309	(15)	324
Non DFM Expenditure						
Pensions Expenditure	1,351	504	488	(16)	-	(16)
Other Non-DFM Expenditure	2,277	(2,453)	(2,485)	(31)	(11)	(20)
NON-DFM EXPENDITURE	3,628	(1,949)	(1,997)	(47)	(11)	(36)
TOTAL BUDGET	63,017	23,230	23,491	261	(27)	288

Table 5 Capital Budget Monitoring Statement

CAPITAL BUDGET 2022/23	Revised Prog	Spend to 30 August	Year End Forecast	Remove slippage to future years
Vehicles				
Operational Vehicles	3.125	-	0.924	(2.201)
Support Vehicles	0.792	0.135	0.431	(0.361)
	3.917	0.135	1.355	(2.562)
Operational Equipment				
Operational Equipment	1.800	0.142	0.300	(1.500)
	1.800	0.142	0.300	(1.500)
Buildings Modifications				
STC	0.036	0.005	0.036	-
Enhanced station facilities	0.150	0.096	0.150	-
Preston Rebuild	0.200	-	-	(0.200)
Drill tower replacements	0.564	0.158	0.564	-
	0.950	0.258	0.750	(0.200)
ICT				
IT Systems	2.365	-	0.866	(1.499)
	2.365	-	0.866	(1.499)
Total Capital Requirement	9.032	0.535	3.271	(5.761)
Funding				
Capital Grant	1.000	-	-	(1.000)
Revenue Contributions	4.200	0.535	3.271	(0.929)
Earmarked Reserves	0.254	-	-	(0.254)
Capital Reserves	3.578	-	-	(3.578)
Total Capital Funding	9.032	0.535	3.271	(5.761)