

Lancashire Combined Fire Authority Resources Committee

Meeting to be held on 30 November 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 are requested to</p> <ul style="list-style-type: none">• note and endorse the current financial position• note the anticipated year end forecast overspend of between £1.0m and £1.5m.

Revenue Budget

The overall position at the end of September is an overspend of £0.5m, largely as a result of price increases associated with energy, fuel and property maintenance costs.

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	147	<p>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 addition usage is higher this year than in previous years, reflecting increased activity post pandemic. This gives an overall overspend to date of £75k.</p> <p>In addition repair costs have increased reflecting works needed in the first quarter of the year and the increase in costs due to inflationary pressures, currently standing at £75k overspent.</p> <p>Both these areas will remain overspent throughout the remainder of the year, with the latest estimates showing a year end forecast overspend of approx. £275k.</p>

Information Technology	71	<p>The overspend to date is attributable to a combination of the timing of expenditure, with software licenses being paid up front, and a general increase in costs, again reflecting inflationary pressures.</p> <p>This situation is likely to remain throughout the remainder of the year, with a current year end forecast overspend of £100k.</p>
Property	242	<p>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% in the first half of the year, giving a current overspend of £130k. However price increases in the second half of the year have again increased significantly, with our current forecast showing an increase of approx. 200%. As such we will see a very significant increase in the overspend in the second half of the year and are currently forecasting a year end overspend of approx. £700k, although it is not clear what impact the Government energy cap will have on this. In addition we have 'front loaded' our in-year maintenance programme, and this coupled with increases in maintenance costs aligned with inflationary pressures, has led to a current overspend of £100k. As a result of the increase in costs and on-going maintenance requirements this is another area that is looking at a year-end overspend, currently forecast at £150k.</p>
Wholetime Pay	15	<p>This is broadly in line with budget, retirements and leavers are broadly in line with forecast, with a slight shortfall in recruit number been offset by increased overtime.</p> <p>Whilst this is broadly in line at the present time, we have not built any allowance in for the final pay award exceeding the 2% budgeted allowance. Based on the existing 5% allowance, this will see an overspend of approx. £750k</p>
On Call Pay	12	<p>This is broadly in line with budget.</p> <p>Whilst this is broadly in line at the present time, we have not built any allowance in for the final pay award exceeding the 2% budgeted allowance. Based on the existing 5% allowance, this will see an overspend of approx. £125k</p>
Support staff (less agency staff)	50	<p>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 have utilised agency staff to support some key technical roles within the organisation, resulting in an overspend to date. This will slow down in the second half of the year as we recruit into vacant posts reducing the reliance on agency staff.</p> <p>The current position does not allow for the green book pay award, which has now been agreed at £1,925 per full time equivalent. This is significantly higher than the budgeted allowance of 2% and will increase costs over</p>

		and above budget by approx. £250k by the end of the year.
Apprentice Levy	(20)	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, energy and property costs, approx. £1m of additional pressures. However, more significant than this is the potential costs associated with pay awards, approx. £1.1m more than budgeted. This is partly offset by increased returns on investments, where we currently anticipate generating a surplus of £0.5m. We are continuing to review other areas for delivering savings, however it is clear that we will be faced with a very significant overspend at year end, of between £1.0m and £1.5m.

As such we will need to utilise reserves to offset this. 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.

It is worth highlighting that utilising reserves in this manner will also limit our ability to offset financial pressures in 2023/24 and future years.

Capital Budget

Following the slippage agreed at the last Resources Committee the capital budget now stands at £3.3m. Spend to date is just £0.6m.as set out below, with further details in Appendix 2: -

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

	Spend to 30 September	Year End Forecast	
	£m	£m	
Operational vehicles	-	0.9	As reported previously whilst we have ordered a significant number of operational vehicle (13 pumping appliances, 2 Command Units and an ALP) lead times are such that we have not incurred any expenditure in the year to date and are only likely to incur £0.69m by the year end (reflecting agreed staged payments).
Support vehicles	0.1	0.4	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 original programme will be completed in year, at a cost of £0.4m.
Operational Equipment	0.1	0.3	Spend to date is attributable to the replacement of light portable pumps. We anticipate spending an additional £0.2m on CCTV for pumping appliances in-year.

Building Modifications	0.3	0.8	Spend to date is associated with:- <ul style="list-style-type: none"> Enhanced facilities at Hyndburn fire stations, where works have commenced and will be completed by October, with costs to date standing at £0.1m The replacement of drill towers, where one tower, Blackpool, was completed in June, and where work on replacing two towers, Tarleton and Bolton le Sands, was underway (both were completed and handed over in November), with costs to date of £0.2m.
IT systems	-	0.9	Approx 50% of the budget relates to the replacement of Vehicle Mounted Data Systems (VMDS) on appliances, where an order has been placed but no costs have been incurred at the end of September. 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 for several of the systems.
Total	0.6	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 MONITORING STATEMENT SEPTEMBER 2022	Total Budget	Budgeted Spend to Sep 2022	Actual Spend to Sep 2022	Variance O/Spend (U/Spend)	Variance Pay	Variance Non- Pay
	£000	£000	£000	£000	£000	£000
Service Delivery						
Service Delivery	36,062	17,624	17,712	89	138	(49)
Prevention & Protection	2,972	1,515	1,409	(106)	(111)	5
Covid-19	-	-	0	0	-	0
Control	1,346	673	690	17	-	17
Youth Engagement (inc Princes Trust)	52	140	139	(1)	-	(1)
Special Projects (ISAR)	13	6	20	13	-	13
Strategy & Planning						
Service Development	1,552	797	824	28	30	(2)
Training & Operational Review	4,360	2,466	2,385	(81)	(126)	45
Fleet & Technical Services	2,743	1,507	1,632	124	(23)	147
Information Technology	2,855	1,345	1,430	85	14	71
Digital Transformation	537	195	214	19	18	1
People & Development						
Human Resources	880	428	510	82	22	59
Occupational Health Unit	242	115	133	18	12	6
Corporate Communications	341	167	196	28	28	0
Safety Health & Environment	242	118	109	(10)	(2)	(7)
Corporate Services						
Executive Board	1,064	554	570	16	16	(0)
Central Admin Office	866	424	361	(63)	(58)	(4)
Finance	152	75	99	24	24	(0)
Procurement	943	468	527	59	55	3
Property	2,179	1,126	1,377	251	9	242
External Funding	3	(24)	(1)	22	(1)	24
Pay						
TOTAL DFM EXPENDITURE	59,401	29,720	30,337	617	45	571
Non DFM Expenditure						
Pensions Expenditure	1,351	679	630	(49)	-	(49)
Other Non-DFM Expenditure	2,264	(2,524)	(2,553)	(30)	(7)	(22)
NON-DFM EXPENDITURE	3,615	(1,845)	(1,924)	(79)	(7)	(72)
TOTAL BUDGET	63,017	27,875	28,413	538	38	500

Table 5 Capital Budget Monitoring Statement

CAPITAL BUDGET 2022/23	Revised Prog	Spend to 30 September	Year End Outturn
Vehicles			
Operational Vehicles	0.924	-	0.924
Support Vehicles	0.431	0.135	0.431
	1.355	0.135	1.355
Operational Equipment			
Operational Equipment	0.300	0.142	0.300
	0.300	0.142	0.300
Buildings Modifications			
STC	0.036	0.006	0.036
Enhanced station facilities	0.150	0.102	0.150
Preston Rebuild	-	-	-
Drill tower replacements	0.564	0.221	0.564
	0.750	0.329	0.750
ICT			
IT Systems	0.866	-	0.866
	0.866	-	0.866
Total Capital Requirement	3.271	0.607	3.271
Funding			
Capital Grant	-	-	-
Revenue Contributions	3.271	0.607	3.271
Earmarked Reserves	-	-	-
Capital Reserves	-	-	-
Total Capital Funding	3.271	0.607	3.271