

Lancashire Combined Fire Authority Resources Committee

Meeting to be held 27 November 2024

Financial Monitoring 2024/25

(Appendices 1, 2 and 3 refer)

Contact for further information:

Steven Brown - Director of Corporate Services – Telephone Number 01772 826804

Executive Summary

The report sets out the current budget position in respect of the 2024/25 revenue and capital budgets.

Recommendation

The Committee is asked to:

- note and endorse the financial position; and
- approve additional slippage in the capital programme of £2.53m to 2025/26.

Information

Revenue Budget

In February 2024 the Combined Fire Authority agreed the Service's 2024/25 revenue budget at £75.155m. This Financial Monitoring report is for the six-month period to the end of September 2024. The forecast outturn is £75.051m, which is a small underspend of (£0.103m). Of the forecast underspend, (£0.135m) relates to non-pay costs, and £0.032m to pay costs.

The year-to-date and forecast positions within all departmental budgets are set out in Appendix 1, with the major variances of note shown separately in the table overleaf.

Area	Year to Date Variance £m	Reason	Forecast Outturn Variance £m	Reason
Service Delivery - Pay	0.181	The grey book pay award of 4% has been agreed and is effective from July 2024. This is 1% higher than our budgeted assumptions and accounts for majority of the overspend.	0.653	The effect of higher than budgeted pay award results in a forecast cost pressure of £0.400m. Additional overtime costs have been incurred over the summer which has increased the forecast by £0.194m.

Area	Year to Date Variance £m	Reason	Forecast Outturn Variance £m	Reason
Prevention and Protection - Pay	(0.248)	The year-to-date underspend is due to vacancies within the department.	(0.415)	Several vacant posts exist in the current staffing establishment for which recruitment and reorganisation is planned. It is anticipated that three posts will be recruited to in year, with a number of vacancies to persist for the duration of the financial year.
Bank Interest	(0.100)	More interest has been earned on balances invested because of higher balances invested, due to slippage on the capital programme, and higher than budgeted interest rates. Interest earned on the Home Office pension grant received ahead of Matthews two and McCloud remedy has been assumed to be transferred to a reserve if required to be repaid.	(0.200)	The forecast reflects the full year effect of higher than budgeted interest rates and higher balances invested due to slippage in the capital programme.
Fleet	(0.086)	Vehicle Repair and Maintenance (R&M) costs in the year to date are lower than budget to date.	0.107	There is a small overspend forecast on R&M costs based on historic spending patterns.
Occupational Health – Medical fees	0.043	Staff medical fees are higher than budgeted due to the requirement for mandatory three-year screenings, recruitment screenings and referrals. The cost of providers remains high with few options between providers.	0.114	Costs are anticipated to increase in the latter part of the year due to both On Call and Wholtime recruitment courses planned.

Area	Year to Date Variance £m	Reason	Forecast Outturn Variance £m	Reason
Property	(0.428)	Programmed revenue maintenance costs have been delayed and is now expected to fall in the latter half of the financial year. Utilities expenditure has also been less than budgeted in the year to date.	(0.331)	The current outturn forecast currently assumes that property works will be undertaken as planned later in the year. Utility costs are currently forecast to underspend by (£0.400m) due to lower than budgeted usage and rates.

Future Pressures

Pay award: Green book pay award negotiations concluded in late October. The national employers and trade unions agreed a pay award of £1,290 per annum (pro-rata for part-timers) on pay points 2 to 43, and an increase of 2.5% on locally determined pay points above 43. This will be paid in November and backdated to 1 April 2024. Current pay projections use the 3% budgeted rate. The revised forecast to include the new pay rate is not expected to change significantly.

Superannuation: The employer's contribution rate to the 2015 Firefighters' pension scheme as determined by the scheme actuary has been increased from 28.8% to 37.6%. Additional £2.5m grant funding has been received and added to the budget to offset this pressure, however, funding for 2025/26 is unknown at this stage.

Savings Targets

A reduction in the Contribution to Capital of £1.5m was agreed in the medium-term Financial Strategy resulting in a revenue contribution in 2024/25 of £2.5m. The budget has been reduced to this effect.

General Fund

The year end forecasted general fund position is summarised below:

	£'m
Opening balance of LFRS general fund	(4.987)
Forecast revenue underspend	(0.103)
Forecast closing balance of general fund	(5.090)

Note following the final outturn and audit of the financial statements, the opening general fund balance was updated from £4.918m to £4.987m.

Capital Budget

The revised Capital Programme for 2024/25 approved by the Resources Committee is £12m. To date £1.652m has been spent predominantly on fleet and operational equipment. A summary of the programme is set out in the table below and in more detail in Appendix 2.

Area	Budgeted Items	Budget (£m)	Year to Date (£m)	Slippage 2025/26 (£m)
Operational Vehicles	<p>The budget includes costs of two water towers, two climate change vehicles, three pumping appliances, a prime mover and an aerial ladder appliance. All vehicles are on target to be delivered in 2024/25 with the exception of:</p> <ul style="list-style-type: none"> • Pumping appliances are in the procurement process. • Aerial ladder appliance – delivery due early April 2025. • Large climate change vehicle in the procurement process and the small one at specification stage. 	2.943	0.446	1.501
Other vehicles	<p>This budget allows for the replacement of various operational support vehicles including several cars, vans and a beavertail lorry. A few vehicles have been delayed to 2025/26:</p> <ul style="list-style-type: none"> • Four Toyota Rav4 and two small vans are on order, however delivery expected early 2025/26. • Two double cab vans are in the procurement process. • Two rescue team vans have slipped due to delivery and conversion lead times. 	0.948	0.176	0.407
Operational Equipment	<p>This budget allows for operational equipment purchases including CCTV cameras for appliances, body armour, and road traffic collision equipment. To date the following slippage includes:</p> <ul style="list-style-type: none"> • Body Armour – the trial period has been completed and procurement process underway. • Flow meters and hose reel are on trial in Blackpool. It is anticipated there will be an additional budget requirement. • Breathing apparatus compressor is on order with an early 2025/26 lead time. 	1.846	0.812	0.470

Area	Budgeted Items	Budget (£m)	Year to Date (£m)	Slippage 2025/26 (£m)
Building Modifications	<p>This budget includes the continued programme of Drill Tower Replacements, Blackpool facilities upgrade and budget for the initial works to support the upgrade to Preston station. Slippage to date has been identified as follows:</p> <ul style="list-style-type: none"> • The enhancement of facilities at Blackpool (W30) has incurred some initial costs however will see final completion in 2025/26. • Most Drill Tower replacement works have slipped due to unsuccessful award of the contract. • Wylfra training props programme is due to start on site April 2024. • Options appraisal is underway for suitable land acquisition. • Estates improvements will continue into 2025/26. 	3.639	0.125	2.573
IT systems	<p>This budget includes various projects including upgraded Firewalls, network upgrades and replacement of pooled PPE and stock management systems. Several IT system projects have been identified as likely to slip into 2025/26; the replacement systems for the management of stock, assets and pooled PPE, public switched telephone network. Existing contracts have been extended. The incident ground radios project has also slipped to next year due to other interdependencies with the breathing apparatus project.</p>	2.593	0.093	0.974

Potential Financial Risks

There are several potential scenarios that have not been reflected in this monitoring report that, if they materialise, may give rise to an increase in revenue and capital expenditure. To provide some information about potential significant financial risks these have been quantified to provide an estimated worst case scenario, these are set out in Appendix 3. Taking all these risks overall and adjusted for the remainder of the year, a potential worst-case scenario would impact the Revenue Budget and Capital Budget accordingly:

£m	Worst Case
Revenue Budget - unbudgeted costs	3.25
Capital Budget – Additional Expenditure	0.65

The potential worst-case scenario could be funded from available budgets but would reduce the general fund balance to below the minimum acceptable level agreed by the CFA.

Financial Implications

As outlined in the report

Legal Implications

None

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:

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

Appendix 1

BUDGET MONITORING STATEMENT SEPTEMBER 24 DFM Expenditure	Revised Annual Budget	Year to Date Budget	Year to Date Actual	Year to Date Variance	Year to Date Variance Non- Pay	Year to Date Variance Non- Pay	Forecast Outturn Variance DISpend (UKSpend)	Forecast Outturn Variance Non- Pay	Forecast Outturn Variance Non- Pay
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Service Delivery									
Service Delivery	42.495	21.782	21.987	0.206	0.181	0.025	0.676	0.653	0.023
Prevention & Protection	3.744	1.830	1.603	(0.227)	(0.248)	0.021	(0.365)	(0.415)	0.050
Covid-19	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Control	2.168	1.084	1.088	0.004	0.000	0.004	0.008	0.000	0.008
Youth Engagement (inc Princes Tru	0.016	0.373	0.403	0.030	(0.016)	0.047	(0.005)	(0.025)	0.020
Special Projects (ISAR)	0.002	0.001	(0.010)	(0.010)	0.000	(0.010)	0.001	0.000	0.001
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Strategy & Planning	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Service Development	2.250	1.124	1.121	(0.002)	(0.013)	0.010	(0.040)	(0.065)	0.024
Training & Operational Review	4.455	2.243	2.067	(0.176)	(0.088)	(0.088)	(0.004)	(0.072)	0.068
Fleet & Technical Services	3.342	1.810	1.724	(0.086)	0.016	(0.102)	0.107	0.055	0.052
Information Technology	3.397	2.008	2.172	0.164	(0.034)	0.198	(0.037)	(0.079)	0.042
Digital Transformation	0.897	0.397	0.297	(0.099)	(0.010)	(0.090)	(0.091)	(0.010)	(0.082)
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
People & Development	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Human Resources	0.966	0.487	0.472	(0.015)	0.000	(0.016)	0.030	(0.001)	0.032
Occupational Health Unit	0.310	0.155	0.164	0.009	(0.021)	0.030	0.044	(0.042)	0.086
Corporate Communications	0.397	0.198	0.213	0.015	0.030	(0.015)	0.078	0.092	(0.014)
Safety Health & Environment	0.320	0.153	0.174	0.021	0.007	0.014	0.011	0.013	(0.002)
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Corporate Services	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Executive Board	1.262	0.659	0.664	0.005	0.011	(0.005)	(0.027)	(0.025)	(0.002)
Central Admin Office	0.751	0.375	0.306	(0.069)	(0.056)	(0.013)	(0.114)	(0.109)	(0.005)
Finance	0.212	0.106	0.128	0.022	0.019	0.003	0.048	0.045	0.003
Procurement	0.692	0.348	0.437	0.089	0.051	0.038	0.095	0.074	0.021
Property	3.970	1.616	1.187	(0.429)	(0.020)	(0.409)	(0.331)	0.002	(0.334)
External Funding	(0.002)	(0.002)	0.000	0.002	(0.027)	0.029	0.000	(0.055)	0.055
migration	0.000	0.000	0.000	0.000	0.000	0.000			
Pay						0.000			
TOTAL DFM EXPENDITURE	71.644	36.746	36.198	(0.548)	(0.218)	(0.330)	0.082	0.036	0.047
Non-DFM Expenditure									
Pensions Expenditure	1.432	0.649	0.663	0.014	0.000	0.014	(0.012)	0.000	(0.012)
Other Non-DFM Expenditure	2.079	(2.286)	(2.371)	(0.084)	0.038	(0.122)	(0.174)	(0.004)	(0.170)
NON-DFM EXPENDITURE	3.511	(1.637)	(1.707)	(0.070)	0.038	(0.108)	(0.186)	(0.004)	(0.182)
TOTAL BUDGET REQUIREMENT	75.155	35.108	34.490	(0.618)	(0.181)	(0.437)	(0.103)	0.032	(0.135)
Use of Reserves	(0.006)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
NET BUDGET	75.149	35.108	34.490	(0.618)	(0.181)	(0.437)	(0.103)	0.032	(0.135)

Appendix 2

Capital Budget Monitoring as at 30th Sept 2024

CAPITAL BUDGET 2024/25	Revised Programme	Actual as at 30th Sept 2024	Projected Year End Outturn	Projected slippage as at 30th Sept 2024	Estimated final cost	Over/ (Under) Spend
	m	m	m	m	m	m
Vehicles						
Operational Vehicles	2.943	0.446	1.436	-1.501	2.937	-0.006
Support Vehicles	0.948	0.176	0.529	-0.407	0.936	-0.012
	3.891	0.622	1.965	-1.908	3.873	-0.018
Operational Equipment						
Operational Equipment	1.846	0.812	1.359	-0.470	1.829	-0.017
	1.846	0.812	1.359	-0.470	1.829	-0.017
Buildings Modifications						
Update Preston Facilities	0.500	0.015	0.250	-0.250	0.500	0.000
Development & Land Acquisition	0.340	-	-	-0.340	0.340	0.000
Blackpool Dormitory	0.834	0.022	0.434	-0.400	0.834	0.000
Drill tower replacements	1.208	0.074	0.125	-1.083	1.208	0.000
Wylfa Prop	0.125	-	0.025	-0.100	0.125	0.000
Estate Improvement Provision	0.632	0.014	0.232	-0.400	0.632	0.000
	3.639	0.125	1.066	-2.573	3.639	0.000
ICT						
IT Systems	2.593	0.093	1.391	-0.974	2.365	-0.228
	2.593	0.093	1.391	-0.974	2.365	-0.228
Total Capital Requirement	11.969	1.652	5.781	-5.925	11.706	-0.263
Funding						
Capital Grant	-	-	-	0.000	0.000	0.000
Borrowing	-	-	-	0.000	0.000	0.000
Revenue Contributions	2.500	1.652	2.500	0.000	2.500	0.000
Earmarked Reserves	-	-	-	0.000	0.000	0.000
Capital Reserves	9.469	-	3.281	-5.925	9.206	-0.263
Capital Receipts	-	-	-	0.000	0.000	0.000
Total Capital Funding	11.969	1.652	5.781	-5.925	11.706	-0.263
Fleet	3.891	0.622	1.965	-1.908	3.873	-0.018
Equipment	1.846	0.812	1.359	-0.470	1.829	-0.017
Property	3.639	0.125	1.066	-2.573	3.639	0.000
ICT	2.593	0.093	1.391	-0.974	2.365	-0.228
	11.969	1.652	5.781	-5.925	11.706	-0.263

Appendix 3

Potential significant risks have been quantified to provide an estimated best case and worst case scenario for each risk.

	Rev / Cap	Worst Case (Full Year) £m
Industrial Action (Risk 1a) – Costs based on reported figures from other fire authorities adjusted for inflation and size of authority.	Rev	2.5
Pandemic (Risk 1d) – Based on direct costs of COVID19, this was funded but this scenario assumes no funding provided.	Rev	1.3
Overspending and future financial pressures on MTFs due to increase in costs of goods and services and pay (Risk 2b) – based on highest one year CPI increase experienced of 13.5%.	Rev	2.0
As above.	Cap	1.3
Loss of Utilities (Risk 3) and ICT (Risk 4) – Includes additional repair costs, overtime, hire costs etc.	Rev	0.2
Operational Event (Risk 11) – large scale incidents and events can be significant however there are funding mechanisms such as Bellwin in place. This cost assumes a prolonged period of overtime that would not be met from national funding schemes.	Rev	0.5
Revenue Total		6.5
Capital Total		1.3