

**LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE**

Meeting to be held on 29 March 2017

**FINANCIAL MONITORING 2016/17
(Appendices 1 and 2 refer)**

Contact for further information:

Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

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
- Endorse the virement to adjust for underspends previously identified to part fund the transfer to capital reserves at the end of the year

Information

Revenue Budget

The overall position as at the end of January shows an under spend of £1.6m, but with a forecast breakeven position at year end, after allowing for the transfer of £2.3m into the capital funding reserve as reported at the February Combined Fire Authority meeting.

The transfer to capital funding reserve will be met from forecast underspend as set out in the report, predominantly relating to pay, as well as the following areas which were reported at the last Resources Committee, where a virement transferring the budget into the Non DFM budget heading has been actioned:

- Organisational development £0.3m;
- Retained Duty System Strengthening and Improving project £0.6m;
- ICT department staffing budget £0.1m; and
- Wholetime recruits budget £0.2m

The position within individual departments as set out in Appendix 1 with major variances being shown in the table below: -

Area	Over/(Under) spend at 31 Jan	Forecast Outturn	Reason
	£'000	£'000	
Property	(185)	(143)	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 has been carried out, the results are expected before the end of March, 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.
Service Delivery	(234)	(279)	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. Utilities are also forecast to be underspent, reflecting past and ongoing energy efficiency measures. Next year's budget has been adjusted to reflect the out-turn position.
Pay wholetime -	(409)	(422)	The majority of the underspend relates to difference between budgeted staffing numbers and actual staffing number. Personnel have continued to leave the service without accruing full pension benefits, with a further 16 personnel doing this since the budget was set, and we anticipate a further 2 more between now and the year end. (This was not allowed for in the budget for 2016/17 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 has been amended to reflect this).

			A further 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 in next year's budget.
Pay - RDS	(350)	(369)	<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 ongoing 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. However we have carried out RDS recruitment exercises in November and March to alleviate the potential issue.</p> <p>The Retained budget also included an additional £600k in relation to the Strengthening and Improving RDS project, to design an RDS pay scheme which results in improved recruitment, retention and availability. As reported to the CFA in February the change has been referred to the Fire Brigades Union regional/national council for approval and hence implementation is currently on hold.</p>
Pay – Support Staff	(220)	(283)	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%.
Non-DFM	35	1,679	The year-end position reflects the transfer of £2.3m revenue underspends into the capital funding reserve as referred to above

Capital Budget

The Capital Programme for 2016/17 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 Jan 17 £m	Forecast Slippage Into 1718 £m	
Pumping Appliances	0.269	(0.696)	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, since the last report we are now aware that delivery of these has been delayed to during May 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	0.126	(0.436)	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;• 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	0.523	(0.425)	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: <ul style="list-style-type: none">• an Unmanned Aerial Vehicle (UAV) or drone, which is now operational;• the purchase of flood suits for all operational staff along with various items of flood rescue equipment;

			<ul style="list-style-type: none"> 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, the Fire Authority has given approval to purchase technical rescue jackets for non-fire related incidents, however this is unlikely to result in spend during the current financial year so will slip forwards to 2017/18.</p>
Building Modifications	2.149	(2.975)	<p>The majority of committed spend to date relates to:</p> <ul style="list-style-type: none"> the purchase and refurbishment of the property adjacent to Lancaster fire station in order to facilitate the redevelopment of the site; stage payments for the refurbishment of Carnforth fire station which was completed in February; and stage payments for the build of the Multi-Compartment Fire Fighting prop at Training Centre. <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 was awarded and works have commenced. <p>Discussions remain on-going with the Council in respect of the strip of land that we currently lease for car parking spaces to enhance the overall scheme.</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 being developed and considered alongside other proposed works on the Training Centre site included within the 2017/18 capital budget.
IT systems	0.063	(0.630)	<p>Committed spend to date relates to the final stages of the phased implementation of the replacement asset management system begun 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 capital budget; • 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, for which the specification is currently being drafted; • 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. Following discussions the Home Office have agreed that the underspend on the capital grant relating to the construction of DCP accommodation at Skelmersdale, £45k, can be carried forward to offset increased costs at Lancaster.

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 Jan	Savings at end of Jan
	£m	£m	£m
Staffing, including Emergency Cover Review outcomes, Prevention & Protection Review outcomes, functional saving reviews plus management of vacancies	1.512	1.181	2.395
Reduction in capital financing charges	0.284	0.237	0.237
Reduction in service delivery non pay budgets including the smoke detector budgets	0.145	0.121	0.259
Removal of the contribution to Greater Manchester FRS in respect of their Urban Search And Rescue team	0.122	0.101	0.101
Reduction in Fleet repairs and maintenance and fuel budgets	0.068	0.057	0.133
Reduction in Property repairs and maintenance and utilities budgets	0.034	0.029	0.173
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	0.281	0.281
Total	2.502	2.006	3.693

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. We have already exceeded 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**

Jan 2017

	Total Budget	Budgeted Spend to Jan 2017	Actual Spend to Jan 2017	Variance O/Spend (U/Spend)	Variance Pay	Variance Non-Pay	Forecast Outturn at Jan 2017
DFM Expenditure	£000	£000	£000	£000	£000	£000	£000
Training & Operational Review	2,790	2,429	2,468	39	12	27	39
Fleet & Technical Services	2,358	1,974	1,899	(76)	18	(93)	(45)
Executive Board	998	834	820	(14)	7	(21)	(28)
Corporate Communications	285	241	231	(10)	4	(15)	(20)
Human Resources	505	427	423	(5)	(21)	16	15
Occupational Health Unit	221	185	150	(35)	35	(70)	(84)
Central Admin Office	427	348	316	(32)	(35)	3	4
Finance	142	118	116	(2)	(2)	(1)	(1)
Procurement	741	601	551	(50)	(15)	(35)	(44)
Property	1,460	1,227	1,037	(190)	(5)	(185)	(143)
Safety Health & Environment	169	143	136	(7)	6	(13)	(14)
Prince's Trust Volunteers Scheme	-	104	95	(9)	-	(9)	2
Service Development	3,673	3,074	2,962	(112)	(72)	(40)	(60)
Control	1,092	1,092	1,093	-	-	-	1
Information Technology	2,169	1,727	1,695	(31)	(2)	(30)	19
Service Delivery	31,347	26,207	25,092	(1,115)	(882)	(234)	(279)
External Funding	-	(4)	(5)	-	-	-	-
Special Projects	6	5	12	7	-	7	8
Pay							(1,027)
TOTAL DFM EXPENDITURE	48,383	40,733	39,092	(1,641)	(950)	(691)	(1,657)
Non DFM Expenditure							
Pensions Expenditure	1,257	1,158	1,146	(12)	-	(12)	(30)
Other Non-DFM Expenditure	5,971	1,584	1,620	36	1	35	1,679
NON-DFM EXPENDITURE	7,229	2,742	2,766	24	1	23	1,649
TOTAL BUDGET	55,611	43,476	41,858	(1,618)	(949)	(668)	(8)

APPENDIX 2

CAPITAL BUDGET 2016/17	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	0.269	(0.681)	0.269	(0.696)	0.964	0.014
Other Vehicles	0.550	0.462	0.126	(0.335)	0.134	(0.436)	0.570	0.020
	1.500	1.412	0.395	(1.017)	0.402	(1.132)	1.534	0.034
Operational Equipment								
Operational Equipment	1.000	0.833	0.523	(0.310)	0.575	(0.425)	1.000	-
	1.000	0.833	0.523	(0.310)	0.575	(0.425)	1.000	-
Buildings Modifications								
STC Redevelopment	1.052	0.710	0.096	(0.614)	0.200	(0.852)	1.052	-
Day Crewing Plus	0.008	0.008	-	(0.008)	-	(0.008)	0.008	-
Lancaster Replacement	4.092	3.323	1.794	(1.529)	1.977	(2.115)	4.092	-
Other works	0.468	0.267	0.258	(0.008)	0.487	-	0.487	0.019
	5.620	4.308	2.149	(2.159)	2.665	(2.975)	5.639	0.019
ICT								
IT Systems	0.703	0.590	0.063	(0.527)	0.063	(0.630)	0.693	(0.010)
	0.703	0.590	0.063	(0.527)	0.063	(0.630)	0.693	(0.010)
Total Capital Requirement	8.823	7.142	3.130	(4.013)	3.704	(5.161)	8.866	0.043
Funding								
Capital Grant	2.640	2.200	1.794	(0.406)	1.977	(0.663)	2.640	-
Revenue Contributions	3.530	2.942	1.336	(1.606)	1.727	(1.803)	3.530	-
Earmarked Reserves	0.200	-	-	-	-	(0.200)	0.200	-
Capital Reserves	2.453	2.001	-	(2.001)	-	(2.496)	2.496	0.043
Total Capital Funding	8.823	7.142	3.130	(4.013)	3.704	(5.161)	8.866	0.043