



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Finance and Resources Committee

REVENUE AND CAPITAL MONITORING REPORT TO AUGUST 2014

Report of the Chief Fire Officer

Date: 10 October 2014

Purpose of Report:

To report to members on the financial performance of the Service in the year 2014/15 to the end of August 2014. This report focuses on those key areas where outturn variances are likely to occur.

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1. BACKGROUND

- 1.1 Budget monitoring is a key aspect of financial management for the Fire and Rescue Authority. Regular reporting of spending against both the revenue and capital budgets is a check that spending is within available resources and, if necessary, allows for financial resources to be re-assigned to meet changing priorities.
- 1.2 It is difficult to provide meaningful forecast outturns against both the revenue budget and the capital programme at this relatively early stage in the year, however where outturn variances are known with a degree of confidence, these have been reported.
- 1.3 For this report, those key areas with a higher risk of significant variance are reported on. An assessment of this risk has been made in the light of the size of the budgets selected and / or previous experience of variances, as well as the emergence of actual variances.

2 REPORT

REVENUE BUDGET

- 2.1 **Headlines:** The total revenue budget is £42,892k, and the forecast outturn variance at this stage in the year is an underspend of **£621k**, which represents an overall variance of 1%. It is important to emphasise that this is the position as at the end of August, with 7 months of the year still to go, during which a lot of factors could influence the final outturn.

The net cost of industrial action by the Fire Brigades Union for 2014/15, as reported in the finance system, is **£330k**, these costs are shown “below the line” in the table in paragraph 2.16 as there is no budget to cover this expenditure and the overspend will be funded from General Reserves if required. It should be noted that there are further strike deductions from pay awaiting processing so this figure may reduce.

- 2.2 **Wholetime Pay:** the variance to date after five months is **£93k** underspend. An estimated outturn underspend of **£231k** is anticipated at this stage and this is due to a number of reasons: the number of employees on development rates of pay is higher than assumed in the budget (causing an underspend), the number of employees in a pension scheme is lower than assumed in the budget (causing an underspend) and although the total number of wholetime employees is in line with the budgeted establishment (as at August), there are vacancies for some roles and over-establishment for other roles. This means that pre-planned overtime is being used to maintain crewing (causing an overspend). An element of contingency is built into the wholetime pay budget to cover temporary over-establishment, so the net result is an overall forecast underspend at this stage.
- 2.3 An assumed pay award of 1% has been built into the forecast outturn and it is assumed that there will be no new trainees this year, with any retirements or resignations replaced with transfers in or Retained migration. The removal of one wholetime and one retained appliance, as approved by the Combined Fire

Authority on 26 September 2014, will lead to further underspends later this year as the number of occupied posts falls below the budgeted establishment. This managed underspend will translate in budget reductions in 2014/15.

- 2.4 **Retained Pay:** In 2013/14, the Retained pay budget underspent by a total of £338k and the 2014/15 budget was reduced by £200k. The current position is an underspend to date of **£144k**. There is a projected outturn underspend of around **£319k** at this stage, which excludes any costs to date arising from industrial action. Retained call outs for the current financial year to date are 858 compared to 1139 during the same period 2013/14.
- 2.5 **Non-Uniformed Pay:** the variance to date after five months is a **£169k** underspend, which is forecast to be a **£375k** underspend by the end of the year (including the Princes Trust forecast underspend referred to below). This is due either to a few instances where employees are working fewer hours than their established FTE or to establishment vacancies which are assumed to be continuing throughout the year due to the current recruitment freeze.
- 2.6 **Pension Strain:** no budget has been set aside to cover the costs of pension strain arising from phase 2 voluntary redundancies occurring at the end of 2013/14 and in 2014/15. It is estimated that up to £163k will be charged to the revenue budget in 2014/15, with further costs likely to fall in 2015/16. This is now reported as an outturn overspend of **£163k**.
- 2.7 **Prince's Trust:** as previously reported, the budget for this activity was recalculated and presented in summary to the Policy and Strategy Committee in April, showing an annual deficit of £92k. The Princes' Trust Manager has already sought to make further savings and it is felt that the activity could run in its present format at a deficit of **£86k** per annum.
- 2.8 The Prince's Trust expenditure budgets are showing an underspend to the end of August of around £35k. About £20k of this relates to pay, which is under spending because one Team Leader has been on maternity leave and, whilst her post was backfilled by a Support Worker, the Support Worker post was not backfilled. The voluntary redundancy of the Prince's Trust Manager took place at the end of August, with the vacant post recruited to and filled by an existing Team Leader. Following this, the Team Leader post was recruited to and filled by an existing Support Worker, who will not be replaced. This will lead to an overall forecast outturn underspend on pay of **£50k**. The remaining expenditure budgets are forecast to underspend by **£7k**.
- 2.9 A substantial amount of Princes' Trust income due for the 2013/14 financial year had not been received as at 31st March 2014. This income, amounting to £338k, has been accrued for in 2013/14 in anticipation of the income being received in 2014/15. So far £223k has been received in the current year relating to 2013/14, and a further £85k is also expected to be received from the Colleges in respect of last year's teams. The Service has just been notified that additional income of £45k will be received from Central College in respect of 16-18 year old students, due to the College having surplus funding at the end of the 2013/14 academic year.
- 2.10 There is a shortfall in income in respect of the 5 teams which ran from January / February through to March / April. This shortfall amounted to £29k due to a lower than budgeted level of recruitment and a lower than budgeted proportion

of 16-18 year old students, although the budgeted retention rate of 83% was achieved. The 5 teams which ran from May / June through to August have now completed and a shortfall in income of £18k is reported for these teams. This is due to a lower than budgeted level of recruitment (65 students instead of 70), a lower than budgeted proportion of 16-18 year old students (16% instead of 24%), partially offset by a higher than budgeted retention rate (89% instead of 83%). The overall forecast position for income taking account of the additional £45k from Central College, the income shortfalls reported for the first two tranches of teams and assuming another income shortfall of £18k for the next tranche of teams is a forecast under-achievement of income of **£60k**. In total this means that at this point in time, the Prince's Trust activity is forecast to almost break even this year.

- 2.11 **Fleet Maintenance:** some of the appliances in the fleet have suffered metal erosion of the flow meter and pump casings. The causes of this are being investigated but it is thought to be due to the way bulk foam is being used. Initial indications are that repairs and labour will amount to around **£40k**, which cannot be contained within the fleet maintenance budget for planned and ad-hoc works to the fleet.
- 2.12 **Premises:** The Service benefited from some successful rateable value appeals last year, with rebates received during 2013/14. The budget was set prior to these appeals being concluded, so a further underspend is anticipated for the current year of around **£50k**. This variance will be reviewed later in the year as and when a new rateable value for the rebuilt Retford Fire Station becomes apparent. Orders have been placed for backlog maintenance works, which will be funded from an earmarked reserve.
- 2.13 **Insurance:** Overall, the insurance premium budget is expected to overspend this year by **£24k**, following the insurance tender earlier this year. The premiums paid include a low claim rebate, so there is a possibility that this position may worsen if more claims are processed than expected by the insurers.
- 2.14 **Industrial Action:** The net expenditure to the end of August was **£330k** with not all costs yet reported. There is no budget for industrial action therefore all net expenditure will be an over spend against the budget. Currently, the **£330k** is not shown as an outturn overspend, but is presented "below the line" in the table in paragraph 2.16 for information. The total net cost of industrial action in the year will be funded from the General Reserve if required.
- 2.15 **Depreciation and Impairments:** This budget is showing a surplus of income as no budget was set for the sale of vehicles. To date two vehicles have been sold, resulting in a surplus of **£6k**.
- 2.16 The table below shows the position of the revenue budget as at the end of August 2014

Account Description	Annual Budget £	Adjusted Budget Profile to Aug 2014 £	Actual including Commitments to Aug 2014 £	Variance to Aug 2014 £	Forecast Outturn £	Variance To Budget £	Outturn to Budget %
Employees	34,005	13,938	13,729	-209	33,340	-665	-1%

Premises-Related Expenditure	2,161	979	945	-34	2,121	-39	-2%
Transport-Related Expenditure	1,935	928	893	-35	1,976	41	2%
Supplies & Services	3,623	1,698	1,590	-108	3,611	-12	0%
Third Party Payments	125	48	26	-22	125	0	0%
Support Services	294	68	164	96	294	0	0%
Depreciation and Impairment Losses	0	0	-6	-6	-6	-6	No Budget
Sales Fees & Charges	-552	-225	-24	201	-552	0	0%
Other Income	-1003	-338	-53	285	-943	60	6%
Capital Financing Costs	2,304	78	78		2,304	0	0%
Total Net Revenue Expenditure	42,892	17,174	17,342	168	42,309	-621	1%
Net Industrial Action Costs	0	0	330	330	330	330	No Budget

CAPITAL PROGRAMME

- 2.17 A capital programme for 2014/15 of £4,364k was approved by Members and to this has been added a budget of £1,091k for the remaining expenditure expected on the Tri-Service Control and Mobilising system for which a capital grant was received in 2012/13. This brings the total capital programme budget for the year to £5,455k.
- 2.18 There was a significant amount of slippage in the 2013/14 capital programme and the budget for this has been approved by the CFA and carried forward and added to the 2014/15 capital programme. The amount of slippage was £5,012k. In total this then gives an estimated available capital budget of £10,467k for the year. At this early stage in the year, very little has been spent so far – some £1,138k, and an underspend of £3,489k is currently predicted (see table in paragraph 2.28). In the light of a two year rolling underspend within the capital programme, the Strategic Director of Finance and Resources will be undertaking a detailed review of the capital programme and its associated funding.
- 2.19 Two capital grants have already been received: the grant for the Tri-Service Control and Mobilising system (£1,091k remaining) and the general capital grant of £1,087k. The capital receipts reserve holds some £2,135k arising from the sale of assets over the past two years. In addition, three vehicles have been sold this year, resulting in capital receipts totalling £6k. These monies will be used first to finance the capital programme, with remaining expenditure to be financed by a combination of unused borrowing, cash generated by the minimum revenue provision charge and new borrowing if required of up to £5,250k as approved within the Authority's Prudential limits.
- 2.20 **Transport:** Work on specifying, procuring and building a number of appliances and special appliances is in progress. Three further appliances

scheduled for the current year should commence build sometime during late autumn with completion anticipated during the first quarter of 2015. Two special appliances included within the 2013/14 capital programme are now fully built and due to go into service shortly – these are the aerial ladder platform and the water / foam unit. A review of light vehicle utilisation and provision has been done and meetings have taken place (or are scheduled) to ascertain if fleet reductions can be made in some departments. As a result only limited new light vehicle procurement is currently underway with other scheduled acquisitions awaiting the outcome of any structure changes. When these outcomes become known an update will be given regarding the number of vehicles to be purchased this year and associated costs. Currently, it is planned that 24 vehicles will be purchased in the year at a cost of approximately £318k and this is the figure shown in the estimated outturn pending completion of the review. At the time of this report 5 new vehicles are on order for the Trading Company.

- 2.21 **Equipment:** The radios currently in use on the incident ground are now many years old and are planned to be replaced this year. The specification for new radios is now being written.
- 2.22 **Estates:** The rebuilt Retford Fire Station will be completed and occupied later this year and the temporary station vacated ready for stripping out and returning to the landlord sometime early 2015. The new London Road Fire Station: it is hoped that land can be purchased on which to build the new fire station by November this year in order to maintain the project programme for occupation of the new station by spring 2016. The land purchase has been subject to delays outside of the Authority's control and has impacted on the ability to commence the station rebuild project. Expenditure will take place on professional fees this year leading up to the letting of the contract to build the replacement for Central Fire Station. In addition, a number of plans for rebuilding or refurbishing some of the older fire stations will be developed – for now the cost of these plans is shown in the outturn, although whether or not the costs will be capital or revenue depends upon whether or not the plans contribute directly to a capital project. If the costs are treated as revenue costs, then they will be financed from the capital earmarked reserve. The outcome of the plans will be reported in due course for decisions on future major property projects.
- 2.23 **ICT:** In addition to the usual equipment replacement programme, there are two key projects due to start in 2014/15: the replacement of the telephone system and the replacement of the storage area network, both of which are expected to complete within the year. The project to implement CFRMIS Online Services is in progress and the Business Process Automation project will cover a range of developments, some of which will be done this year. An estimated outturn for these two projects is not yet available as further decisions need to be made which will affect project expenditure. The purchase of a Microsoft Enterprise Licence was completed in 2013/14 and treated as revenue expenditure, so this capital budget is not required.
- 2.24 **Human Resources:** the project to implement a replacement HR system went live in May for core aspects of the system. Phase two of the project is now underway. The total capital budget for this project was £527k spread over three years and to date £307k has been spent. Once the number of

consultancy days for phase 2 of the project has been finalised, then an outturn figure will be forecast.

- 2.25 **Control:** the project to implement a Tri-Service Control and mobilising system has suffered some delays but is currently due to go live later this year.
- 2.26 **Finance:** a project to replace the current payroll system is planned to start later this year, with most costs falling into 2015/16.
- 2.27 The table below shows the position of the capital programme as at the end of August 2014.

CAPITAL PROGRAMME	2014/15 Approved Budget	Estimated 2013/14 Slippage	2014/15 Virements	2014/15 Revised Budget	Actual to Date	Remaining Budget to be Spent	Estimated Outturn	Estimated Outturn Variance
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
TRANSPORT								
Rescue Pump Replacement	910			910	316	594	910	
Special Appliances		1,301		1,301		1,301	1,301	
Appliance Equipment	36			36		36	36	
Light Vehicle Replacement	138	306		443		443	318	
	1,084	1,607	0	2,691	316	2,375	2,565	-126
EQUIPMENT								
Radio Replacement	250			250		250	250	
	250	0	0	250	0	250	250	0
ESTATES								
Retford Fire Station Rebuild	0	800	996	1,796	645	1,152	1,796	
Central Fire Station Rebuild		411	421	832	90	742	832	
Refurbishment and Rebuilding	2,310	1,984	-1,567	2,727		2,727		
Feasibility Plans			150	150		150	150	
Retention Payments:								
- Blidworth FS		25		25		25		
- Edwinstowe FS		31		31		30	20	
- Sustainable Technology Project		15		15	1	14	1	
	2,310	3,267	0	5,577	737	4,839	2,799	-2,778
I.T. & COMMUNICATIONS								
Business Continuity & Disaster Recovery	30			30		30	30	
Business Expansion	25	6		31	9	22	31	
Replacement Equipment	85			85		85	85	
Microsoft Enterprise Software Licences	200			200		199	0	
Telephone PABX Replacement	250			250		250	250	
SAN & Back Up Replacement	100			100		100	100	
Microsoft Infrastructure			7	7	15	-8	7	
Business Process Automation		345	-7	339		339		
CFRMIS Online Services		47		47		47		
	690	398	0	1,088	25	1,064	503	-585
HUMAN RESOURCES								
HR System Replacement		270		270	51	220	270	
	0	270	0	270	51	220	270	0
CONTROL								
Tri-Service Control & Mobilising System	1,091			1,091			1,091	
	1,091	0	0	1,091	9	1,081	1,091	0
FINANCE								
Payroll System Replacement	30			30		30	30	
	30	0	0	30	0	30	30	0
Grand Total	5,455	5,542	0	10,997	1,138	9,859	7,508	-3,489
To Be Financed By :								
Capital Grant - General	-1,088			-1,088	-1,088			
Capital Grant - TriService Control	-1,091			-1,091	-1,091			
Capital Receipts	-2,385			-2,385	-2,142			
Unused Borrowing b/f		-910		-214	-214			
New Borrowing		-2,793		0				
Internal Financing	-891	-1,839		-2,730				
Total	-5,455	-5,542		-7,508	-4,535			

3. FINANCIAL IMPLICATIONS

The financial implications are set out in the body of the report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising directly from this report.

5. EQUALITIES

An equality impact assessment has not been undertaken because this report is not associated with a policy, function or service. Its purpose is to explain variances to the approved budget, which reflects existing policies.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report.

7. LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.

8. RISK MANAGEMENT IMPLICATIONS

Budget monitoring and the regular receipt of financial reports is key to managing one of the most significant risks to the organisation, that of financial risk. The process of budget monitoring is a key risk management control measure as are the management actions which are stimulated by such reporting.

9. RECOMMENDATIONS

That Members note the contents of this report.

10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

John Buckley
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