



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 FEBRUARY 2015

Report of the Chief Fire Officer

Date: 17 April 2015

Purpose of Report:

To report to Members on the financial performance of the Service in the year 2014/15 to the end of February 2015. 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 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.
- 1.3 In this financial year, the overall revenue budget is at its lowest level since 2007/08 and it is more important than ever that an overview of the budgetary position during the year is maintained so that appropriate action can be taken in respect of significant variances and the budget is managed as a whole.

2 REPORT

REVENUE BUDGET

- 2.1 **Headlines:** The total revenue budget is £42.9m, and the forecast outturn variance at this stage in the year is an underspend of £556k, which represents an overall variance of 1.0%.

The additional cost of industrial action by the Fire Brigades Union for 2014/15, as reported in the finance system, is £342k. These costs are shown “below the line” in the table in paragraph 2.20 as there is no budget to cover this expenditure and the overspend will be funded from General Reserves if required. The forecast underspend of £682k excludes the impact of industrial action and there are further transactions anticipated in respect of the February 2015 strike period. This means that overall there is likely to be a relatively small underspend at the year end.

- 2.2 **Wholetime Pay:** An estimated outturn underspend of £480k 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 now in line with the budgeted establishment, 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). Expenditure to date on pre-planned overtime is £186k and it is assumed that there will be no further pre-planned overtime for the remainder of the year. 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.

- 2.3 The removal of one wholetime and one retained appliance, as approved by the Combined Fire Authority on 26 September 2014, has resulted in further underspends this year as the number of occupied posts has fallen below the budgeted establishment. This managed underspend will translate into 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 has been reduced by £200k. This year there is a projected outturn underspend of around £157k.

The Retained call outs for the current financial year are 2,408 compared to the same period 2013/14 of 2,936 and this factor will have contributed to the underspend.

- 2.5 **Administrative and Support Staff Pay:** the variance to date is a £231k underspend, which is forecast to be a £251k 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.
- 2.6 **Training:** The training budget is anticipated to have an estimated outturn underspend of £93k, which has arisen mainly as there has been no requirement to send Station Managers to the Fire Service College this year. Also with reducing staff numbers there have been less specialist courses. This budget has been reviewed for 2015/16 to reflect these changed requirements.
- 2.7 **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 £346k. The ill health charges budget is overspent to date by £90k due to a higher than usual number of ill health retirements occurring in the year. The overspend would have been covered by the pensions earmarked reserve, however this reserve will also be required to fund the on-going increase in ill health charges so it has been assumed that the pension strain overspend will remain.
- 2.8 **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. CMB has approved virements to correct the budget in line with Members' decision to continue running the activity at a deficit for the time being.
- 2.9 The Princes' Trust expenditure budgets are showing an underspend to date of around £68k. Most of this relates to pay, and is due to a maternity leave earlier in the year, as well as significant changes in the staffing structure part way through the year.

- 2.10 A shortfall in income is forecast for the year, amounting to around £120k. This has partly arisen because a small part of the 2013/14 income accrued for will not be received. The other reason for the shortfall is that the total numbers of students recruited has been lower than budgeted, and the proportion of students in each of the two age groups is different to that budgeted. This scenario applies to all three tranches of teams run this year despite efforts made to recruit higher levels. Retention rates have been in line with forecasts.
- 2.11 The net variances explained above give a forecast total deficit for the activity of £52k.
- 2.12 **Fleet Maintenance:** some of the appliances in the fleet have suffered metal erosion of the flow meter and pump casings which is most likely due to the way bulk foam is being used. 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. Transport has dealt with some damaged units and will continue to monitor the issue but would hope to contain future expenditure within the maintenance budget. The fuel prices have fallen in this financial year and the Transport Department is anticipating an estimated underspend of £38k.
- 2.13 **Premises:** The Energy budgets are anticipated to under spend by £42k at the stage; this is primarily due to the unusually mild winter. However British Gas, one of our prime energy suppliers has recently introduced a new on-line billing system. The introduction of this system is currently going through some teething problems and as a result the bills we are receiving are inconsistent and largely incorrect. British Gas has assured us that they are dealing with this situation and are in the process of rectification; this situation is being monitored and the Service continues to be in contact with British Gas. The backlog maintenance works, an earmarked reserve funded from a previous year overspend, will be completed by the end of March 2015. The new Retford Fire Station is now complete and the gas and electricity budgets for 2015/16 have been reduced to allow for the efficiencies in energy from the new building.
- 2.14 **Insurance:** Overall, the insurance premium budget has overspent this year by £29k, following the insurance tender earlier this year. The premiums paid include a low claim rebate.
- 2.15 **Supplies and Services:** The risk contingency budget of £50k has only been called upon for one minor item, and will underspend by £46k. It is anticipated that the remainder of the supplies and services budget will underspend by a total of £119k. The underspend against the mobile phones budget of £26k is the result of cost-savings generated by the renegotiation of the contract with EE. As the new mobile phone contract with EE works on a 'bundled minutes' basis, NFRS have been able to generate more cost savings than was originally estimated. The communications equipment budget has underspent by £42k as a result of the reduction of workload with Ampron, generated by the migration of the Service's MDT fleet onto new Systel equipment. The new MDTs are more reliable and require much less technical intervention, thus

reducing the need for NFRS ICT or Amprton to be called out to fix problems or faults. The ICT Maintenance Contracts budget is also anticipated to underspend by around £60k. Offsetting this underspend are a number of budgets with small overspends anticipated for various reasons.

- 2.16 **Support Services:** is overspent by £104k due to an unbudgeted, additional compensation payment being made in relation to the sale of Dunkirk Fire Station legal case.
- 2.17 **Earmarked Reserves:** Two contributions to earmarked reserves have been agreed by the Corporate Management Board. The first is a contribution of £200k to cover potential NFRS costs arising from developments in communications. The second is a contribution of £80k to top up the pensions earmarked reserve for future ill health charges. The total contribution of £280k is shown within "Other Income" in the table in paragraph 2.20.
- 2.18 **Industrial Action:** The additional net expenditure to date is £342k with not all costs yet reported. There is no budget for industrial action therefore all expenditure will be an overspend against the budget. Currently, the £342k is not shown as an outturn overspend, for information, the total net cost of industrial action in the previous year, 2013/14, was £140k.
- 2.19 **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 £42k.
- 2.20 The table below shows the position of the revenue budget as at the end of February 2015.

Account Description	Annual Budget	Budget Profile to Feb 2015	Actual Including Commitments To Feb 2015	Variance to Feb 2015	Forecast Outturn	Outturn to Budget
Employees	34,034	30,992	30,444	-548	33,433	-602
Premises-Related Expenditure	2,370	2,279	2,243	-36	2,360	-10
Transport-Related Expenditure	1,933	1,748	1,661	-87	1,907	-27
Supplies & Services	3,691	3,241	3,097	-144	3,525	-165
Third Party Payments	125	111	168	57	190	65
Support Services	199	150	250	100	303	104
Depreciation and Impairment Losses			-52	-52	-42	-42
Sales Fees & Charges	-122	-101	-106	-5	-130	-8
Other Income	-1,642	-1,316	-906	410	-1,274	368
Capital Financing Costs	2,304	489	489		2,065	-239
	42,892	37,593	37,288	-305	42,336	-556

CAPITAL PROGRAMME

- 2.21 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.
- 2.22 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 £5,542k. In total this then gives an estimated available capital budget of £10,997k for the year. The total spend to date is £3,836k. The capital budget holders have reviewed the estimated outturns on the capital projects and these are reported in paragraph 2.35, giving a forecast outturn of £4,887k.
- 2.23 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 and cash generated by the minimum revenue provision charge. It is unlikely that new borrowing will be required this year, although it could be taken in advance of next year's programme up to the value of £5,250k as approved within the Authority's Prudential limits.
- 2.24 **Transport:** Three Rescue Pump appliances scheduled for the current year are currently in build with completion now anticipated to be April/May. Certain Special appliance projects are now subject to change with the planned requirements being reviewed in conjunction with the outcome of the SRT review. In addition the Aerial Ladder Platform at Mansfield is now undergoing bodywork repairs / minor refurbishment to ensure it is able to reach the extended planned life and stagger its eventual replacement with the new aerial appliance. With possible opportunities for light vehicle fleet reduction still being discussed (following some degree of departmental restructure) only limited new light vehicle procurement has been possible.
- 2.25 **Equipment:** The radios currently in use on the incident ground are now many years old and are planned to be replaced this year. The estimated outturn for 2014/2015 is £200k with only £4k to be slipped into 2015/2016. This represents a total underspend for the project of £46k.
- 2.26 **Estates:** The rebuilt Retford Fire Station is now complete and was occupied in December 2014 and the temporary station vacated ready for stripping out and returning to the landlord sometime in 2015. The new London Road Fire Station at the Gresham Works Site: The planning conditions relating to the site contamination and site remediation have now been discharged and the sale negotiations are proceeding. The works relating to the fire station build have

been tendered and a contractor has been appointed subject to the land being acquired. In addition, feasibility and option appraisals for rebuilding or refurbishing a number of NFRS's 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 on future major property projects.

- 2.27 **ICT:** In addition to the usual equipment replacement programme, there are two key projects taking place in 2014/15: the replacement of the telephone system will be partly slipped into next year and the replacement of the storage area network will complete within the year. The project to implement CFRMIS Online Services is in progress, but will be slipped into 2015/2016, 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.
- 2.28 **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 £311k has been spent. An outturn underspend of £100k on the whole project has been forecast although this will be reviewed before the year end, and £168k is likely to be underspent by the end of this year.
- 2.29 **Tri-Service Control:** the project to implement a Tri-Service Control and mobilising system has suffered some delays and is currently due to go live in the late Spring of 2015. It is assumed that there will be some interim payments due for the system before the end of March 2015 and the remainder of the budget will be slipped into 2015/16.
- 2.30 **Finance:** a project to replace the current payroll system is in the planning phase and work has commenced, however the costs will fall into 2015/16.
- 2.31 **Capital Variation 2015/16:** Members are requested to approve an additional capital budget within the 2015/16 Capital Programme for the provision of an Incident Command training facility at Service Headquarters. The budgetary sum required is £90k, and this will be financed from the Capital Earmarked Reserve such that there will be no on-going impact on the revenue budget as a result of this project.
- 2.32 The background to this request is that it has been acknowledged that the Service's internally provided Incident Command training does not fully satisfy the requirement to provide a safe, competent and effective operational workforce. In the main it does, but the gaps are in respect of Level 1 training

(for Crew and Watch Managers) in that whilst competence is maintained on duty there are no formal re-validation assessments, and in respect of Level 2 (Station Managers) in that the training facility is insufficient for the development and re-validation of those Station Managers' competencies. Although this was being considered during the budget process, a potential solution had not been developed and Station Managers have attended another Fire and Rescue Service for Incident Command training. Full consideration has been given to whether or not the Service could continue to use an external supplier for some aspects of Incident Command training, thereby negating the need for an internal provision. The conclusion is that the cost of using an external supplier (another Fire and Rescue Service) would be greater than the cost of an in-house facility over the medium to longer term because of the increased travelling costs and time. In addition, there may be the need to respond with immediate training in the event of a serious operational incident, and an external supplier may not have the flexibility to meet this requirement.

- 2.33 Since the budget process, an opportunity to rectify the situation has arisen. When the Tri-Service mobilising system goes live and the Control Section moves back into the refurbished Control room, the space currently occupied by the Control Section will be freed. This space is suitable for developing into a dedicated Incident Command training and assessment suite. The Service already has the appropriate software, and this is being used at Carlton Fire Station as an interim measure. The capital budget of £90k is required to make adaptations to the space within the building (£10k) and to procure and install the ICT infrastructure and hardware (£80k).
- 2.34 Members are requested to approve this additional capital programme budget in 2015/16. It is anticipated that the project will be completed during the year.
- 2.35 The table attached at Appendix A shows the position of the capital programme as at the end of February 2015.

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 from this report.

5. EQUALITIES IMPLICATIONS

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 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
CHIEF FIRE OFFICER

APPENDIX A

CAPITAL PROGRAMME	2014/15 Approved Budget	Estimated 2013/14 Slippage	2014/15 Virements	2014/15 Revised Budget	Actual to February	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	670		1,580	1268	312	1,327	-253
Special Appliances		568		568	66	502	116	-452
Appliance Equipment (radios)	36			36	0	36	0	-36
Light Vehicle Replacement	138	369		507	125	382	136	-371
	1,084	1,607	0	2,691	1,459	1,232	1,579	-1,112
EQUIPMENT								
Radio Replacement	250			250	0	250	200	-50
	250	0	0	250	0	250	200	-50
ESTATES								
Retford Fire Station Rebuild	0	800	996	1,796	1595	202	1,595	-201
Central Fire Station Rebuild			232	232	233	-1	283	51
Central Fire Land Purchase		411	189	600	0	600	0	-600
Refurbishment and Rebuilding	2,310	1,984	-1,567	2,727	0	2,727	0	-2727
Feasibility Plans			150	150	0	150	0	-150
Retention Payments:					0			
- Blidworth FS		25		25	9	16	15	-10
- Edwinstowe FS		31		31	2	29	3	-28
- Sustainable Technology Project		15		15	1	14	1	-14
	2,310	3,267	0	5,577	1,840	3,737	1,897	-3,679
I.T. & COMMUNICATIONS								
Business Continuity & Disaster Recovery	30			30	5	25	20	-10
Business Expansion	25	6		31	19	13	20	-11
Replacement Equipment	85			85	76	9	77	-8
Microsoft Enterprise Software Licences	200			200	0	200	0	-200
Telephone PABX Replacement	250			250	68	182	117	-133
SAN & Back Up Replacement	100			100	96	-91	96	-4
Microsoft Infrastructure			7	7	0	-16	15	8
Business Process Automation		345	-7	339	48	314	50	-289
CFRMIS Online Services		47		47	0	47	0	-47
	690	398	0	1,088	406	682	395	-693
HUMAN RESOURCES								
HR System Replacement		270		270	92	178	102	-168
	0	270	0	270	92	178	102	-168
CONTROL								
Tri-Service Control & Mobilising System	1,091			1,091	39		776	-316
	1,091	0	0	1,091	39	1,052	776	-316
FINANCE								
Payroll System Replacement	30			30	0	30	0	-30
	30	0	0	30	0	30	0	-30
Grand Total	5,455	5,543	0	10,997	3,836	7,161	4,949	-6,048
To Be Financed By :								
Capital Grant - General	-1,088			-1,088	-1,088			
Capital Grant - TriService Control	-1,091			-1,091	-776			
Capital Receipts	-2,385			-2,385	-2,289			
Unused Borrowing b/f		-910		-910	-796			
New Borrowing		-2,793		-2,793	0			
Internal Financing	-891	-1,839		-2,730	0			
Total	-5,455	-5,543		-10,997	-4,949			