



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 MAY 2015

Report of the Chief Fire Officer

Date: 10 July 2015

Purpose of Report:

To report to Members on the financial performance of the Service in the year 2015/16 to the end of May 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 & 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 £41.2m, and the forecast outturn variance at this stage in the year is an underspend of £415k, which represents an overall variance of 1%.

The additional cost of industrial action by the Fire Brigades Union for 2015/16, as reported in the finance system, is £11k. These costs relate to periods of industrial action taking place in the last financial year and are shown “below the line” in the table in paragraph 2.13 as there is no budget to cover this expenditure. Costs incurred will be funded from General Reserves if required. The forecast underspend of £415k excludes the impact of industrial action and there are no further transactions related to this anticipated at this stage.

- 2.2 **Wholetime Pay:** the variance to date is a £47k overspend, which is forecast to be a £287k overspend due to a number of reasons: although there is currently an over establishment of 9.58 posts (in April), it is assumed that this will be rectified during the year as retirements take place, resulting in a forecast outturn underspend of £92k. In addition the employer pension contribution rate for members of the 2015 Firefighter Pension Scheme was announced after the budget had been set, and is slightly higher than anticipated, which has resulted in a budget deficit of £161k. Some pre-planned overtime is being used to maintain crewing (causing an overspend). Expenditure to date on pre-planned overtime is £53k (1 month) and, although it is assumed that this will continue throughout the year, it is expected that this level of expenditure will significantly reduce resulting in a forecasted overspend of £219k. This expenditure will be closely monitored over the remainder of the year.

- 2.3 **Retained Pay:** the Retained pay budget is overspent to date by £68k as incident numbers are higher for the first two months of this year than is usually the case. As the Retained pay budget has historically underspent, it has been assumed that incident numbers will return to normal levels as the year progresses and therefore there is a projected underspend of £66k

The Retained call outs for the current financial year to date are 496 compared to the same period in 2014/15 of 404.

- 2.4 **Administrative and Support Pay:** the budget is underspent to date by £54k. There are currently around 19 FTE vacancies in the establishment, and it is assumed that this will continue throughout the year in the light of changes to the workforce to meet budget reduction requirements. The forecast outturn is an underspend of £283k.
- 2.5 **Indirect Employee Expenses:** the Relocation/Removal expenses budget is anticipated to have an estimated outturn overspend of £17k; this is due to 2 Principal Officers relocating in this financial year.
- 2.6 **Premises:** The rent budget is anticipated to have an estimated outturn underspend of £50k. This is due to the 2014/15 charges for Central Fire Station utilities from the City Council being significantly lower than in previous years. An estimate was made in the 2014/15 accounts and the effect of this is now reflected in 2015/16. The Estates Department is anticipating a similar charge for 2015/16 and this is reflected in the forecast outturn.
- 2.7 **Fuel:** Fuel prices have fallen and the Transport department has reduced the budget in 2015/16 by £33k. The budget is currently overspending to date by £78k, however this is due to the stock levels valued at £78k held in station fuel tanks. In addition orders have been placed for future purchases of £20k. Currently no forecast outturn variance is predicted but this budget will be closely monitored during the year.
- 2.8 **Supplies and Services:** Overall the Supplies and Services budget is expected to be overspent by £68k. FireLink contract charges are anticipated to over spend by £80k. This is due to the charges from Central Government increasing last year by index linked inflation backdated to an earlier year. The notification of this increase was received after the budget had been finalised, which has caused an overspend with only part of the charge being met by government grant. External audit fees are anticipated to underspend by **£11k**, due to a 25% reduction in fees set by the Audit Commission, before it closed down.
- 2.9 **Support Services:** The budget for Firefighter pension scheme administration will overspend by £20k in 2015/16. The proliferation of work arising from the introduction of the 2015 FFPS, as well as the Modified Retained pension scheme has meant that the Pensions team at Leicestershire County Council requires additional staff resources to enable the team to cope with the workload and continue to provide a good service. An additional £10k fee will be paid to fund this extra resource and the remaining overspend relates to the

charges imposed by the external supplier to Leicestershire County Council for the pension administration system.

- 2.10 **Capital Financing Costs:** The Minimum Revenue Provision charge has a forecast outturn underspend of £131k, which is due to the underspent capital programme in 2014/15.
- 2.11 **Income:** The Authority will receive a Small Business Rate Relief Grant of **£283k** which has not been budgeted for in the year (income to date is £47k). Notification of this grant is not received until the end of January in advance of the forthcoming financial year and, whilst in theory this grant could be budgeted for, in reality this is too late in the budget process to be able to budget for anything to spend the grant on and it would most likely be treated as a contribution to General Reserves.
- 2.12 **Industrial Action:** The additional net expenditure to date is £11k and relates to costs incurred in 2014/15 but not charged until the current year. There is no budget for industrial action therefore all expenditure will be an overspend against the budget. Currently, the £11k is not shown as an outturn overspend and, for information, the total net costs of industrial action in 2013/14 and 2014/15 were £149k and £430k respectively.
- 2.13 The table below shows the position of the revenue budget as at the end of May 2015

Account Description	Annual Budget £	Profile Budget £	Net Expenditure £	Variance To Date £	Forecast Outturn £	Outturn to Budget £
Employees	32,684	5,342	5,333	- 9	32,639	- 45
Premises-Related Expenditure	2,192	506	523	17	2,142	- 50
Transport-Related Expenditure	1,907	964	1,044	80	1,913	6
Supplies & Services	3,436	926	848	- 78	3,504	68
Third Party Payments	126	17		- 17	126	
Support Services	204	77	76	- 1	224	20
Depreciation and Impairment Losses						
Sales Fees & Charges	- 144	- 21	- 16	5	- 144	1
Other Income	- 1,419	- 220	- 162	11	- 1,702	-283
Capital Financing Costs	2,225	- 36	- 36		2,095	- 131
	41,213	7,555	7,610	8	40,797	- 415
Industrial Action Costs			11	11	11	11

CAPITAL PROGRAMME

- 2.14 A capital programme for 2015/16 of £3,407k was approved by Members.
- 2.15 There was slippage in the 2014/15 capital programme and Members of the Combined Fire Authority approved that £5,884 of slippage be carried forward at the meeting on 26th June 2015. This amount of slippage will be spread over 2015/16 (£3,075k) and 2016/17 (£2,809k). In total this then gives an estimated available capital budget of £6,482k for the year. The total spend to date is £202k.
- 2.16 A capital grant has already been received, for the Tri-Service Control Mobilising system (£591k remaining). It is likely that new borrowing will be required this year as, with the exception of the Tri-Service Control grant, all the capital receipts and the capital grant received in previous years have been applied in 2014/15.
- 2.17 **Transport:** Three Rescue Pump appliances scheduled for 2014/15 are currently in build with completion now anticipated to be June/July.

The Service is currently engaged in a collaborative procurement project with Derbyshire FRS for the next contract for replacement Rescue Pump appliances with specifications out to tender via a mini-competition process using the Derbyshire Fleet Options framework, which NFRS helped put in place.

Certain Special appliance projects are now underway with others subject to change with the planned requirements being reviewed in conjunction with the outcome of the SRT review, etc. In addition the Aerial Ladder Platform (ALP) 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. Completion of the ALP work is forecast to be July/August.

With possible opportunities for light vehicle fleet reduction still being discussed (following some degree of departmental restructure) only limited new light vehicle procurement is being progressed at this stage with contract hire vehicles being explored for some departments as an alternative to outright purchase.

- 2.18 **Equipment:** New radios for the incident ground have now been purchased and are being held in stock until training has been rolled out.
- 2.19 **Estates:** Land upon which to build the new London Road Fire Station was acquired in April 2015. Building work has now started on the site, with completion of the new station expected to be in the 2016/17 financial year.

- 2.20 **ICT:** In addition to the usual equipment replacement programme the main project is the replacement of the corporate telephone system, which was started in 2014/15 and is expected to be delivered within 2015/16.
- 2.21 **Human Resources:** the project to implement a replacement HR system went live in May 2014 for core aspects of the system. Phase two of the project is now underway and any underspend on the overall project will be reported in due course.
- 2.22 **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 during 2015.
- 2.23 **Finance:** a project to replace the current payroll system is in the planning phase and work has commenced. The project to upgrade the Agresso Finance system is in the feasibility stage.
- 2.24 **Incident Command training:** Members approved at the February meeting a capital variation of £90k for the service's internally provided Incident Command training, which will be funded from the Capital Earmarked Reserve.
- 2.25 The table attached at Appendix A shows the position of the capital programme as at the end of May 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 directly from this report.

5. EQUALITY 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 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
CHIEF FIRE OFFICER

APPENDIX A

Budget Monitoring Report for May 2015

CAPITAL PROGRAMME	2015/16 Approved Budget £000's	2014/15 Slippage £000's	2015/16 Virements £000's	2015/16 Revised Budget £000's	Actual to May £000's	Remaining Budget to be Spent £000's	Estimated Outturn £000's	Estimated Outturn Variance £000's
TRANSPORT								
Rescue Pump Replacement	624		0	624		-624	624	
Special Appliances		300	0	300	99	-201	300	
Appliance Equipment (radios)	17		0	17		-17	17	
Light Vehicle Replacement	381		0	381	45	-336	381	
	1,022	300	0	1,322	144	-1,718	1,322	
EQUIPMENT								
Radio Replacement	15	204		219	0	-219	219	
	15	204	0	219	0	-219	219	
ESTATES								
Central Fire Station Rebuild	1,750	1,450		3,200	12	-3,188	3,200	
Feasibility Plans	225		0	225		-225	225	
Retention Payments:		70	0	70		-70	70	
- Retford	60		0	60	2	-58	60	
	2,035	1,520		3,555	14	-3,541	3,555	
I.T. & COMMUNICATIONS								
Business Continuity & Disaster Recovery			0		13	13	13	13
Business Expansion			0		2	2	2	2
Replacement Equipment	140	9	0	149	5	-144	134	-15
Telephone PABX Replacement		105	0	105	11	-94	105	
SAN & Back Up Replacement		4	0	4		-4	4	
Business Process Automation		88	0	88	4	-84	88	
CFRMIS Online Services		47	0	47		-47	47	
Mobile Computing	60		0	60	1	-59	60	
	200	253		453	37	-416	453	
HUMAN RESOURCES								
HR System Replacement	0	176	0	176		-176	176	
	0	176	0	176	0	-176	176	
TRANSPORT								
Tranman Software	25	0	0	25	0	-25	25	
	25	0	0	25	0	-25	25	
Learning and Development								
Incident Command Training							90	90
	0	0	0	0	0	0	90	90
CONTROL								
Tri-Service Control & Mobilising System	0	592		592	7	-585	592	
	0	592	0	592	7	-585	592	
FINANCE								
Payroll System Replacement	40	30		70	0	-70	70	
Finance Agresso Upgrade	70		0	70		-70	70	
	110	30		140		-140	140	
Grand Total	3,407	3,075	0	6,482	202	-6,280	6,572	90
To Be Financed By :								
Capital Grant - General	0	0		0	0			
Capital Grant - TriService Control	591	0		591	7			
Capital Earmarked Reserve	90			90				
Capital Receipts	0	0		0				
Unused Borrowing b/f	0	0		0				
New Borrowing	5,801	0		5,801				
Internal Financing	0	0		0				
Total	6,482	0		6,482	7			