



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

REVENUE AND CAPITAL MONITORING TO AUGUST 2015

Report of the Chief Fire Officer

Date: 09 October 2015

Purpose of Report:

To report to Members on the financial performance of the Service in the year 2015/16 to the end of August 2015. This report focuses on those key areas where outturn variances are likely to occur.

CONTACT OFFICER

Name : Sue Maycock
Head of Finance

Tel : 0115 967 0880

Email : sue.maycock@notts-fire.gov.uk

Media Enquiries Contact : Bridget Aherne
(0115) 967 0880 bridget.aherne@notts-fire.gov.uk

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 overspend of £202k, which represents an overall variance of 0.5%.

The additional cost of industrial action by the Fire Brigades Union for 2015/16, as reported in the finance system, is £41k. 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 2.14 as there is no budget to cover this expenditure. Costs incurred will be funded from General Reserves if required. The forecast overspend of £202k excludes the impact of industrial action and there are no further transactions related to this anticipated at this point in time.
- 2.2 **Wholetime Pay:** the variance to date is a £150k overspend, which is forecast to be a **£373k** overspend at year end due to two main reasons: although there is an over-establishment of posts in the first quarter it is assumed that this will be rectified during the year as retirements take place, resulting in an overall underspend of £72k. Pre-planned overtime and operational overtime to date is overspent to date by £127k - this will need to continue to some extent to cover ridership shortfalls but is expected to decrease in value for the remainder of the year with an estimated outturn overspend of £421k.
- 2.3 **Retained Pay:** the Retained pay budget is overspent to date by £44k as incident numbers are higher for the first few 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, however there is as at this stage a projected overspend of **£59k**.

Recruitment of trainee Retained firefighters is underway during this financial year, but the forecast outturn does not include the cost of these firefighters as it is difficult to predict this with any accuracy until the impact on turnouts can be measured. It is not anticipated to be a significant additional cost at this stage and it will be monitored and reported in future reports.

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 £113k. There are currently 14.8 FTE vacancies in the establishment, and it is assumed that this situation 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 **£205k**.
- 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 **Pension Costs:** this budget is overspent to date by £275k. Ill health charges are overspending due to the ill health retirements of four employees in 2014/15 which will impact on the revenue budget over the next two years. The forecast overspend this year in respect of these four cases is £80k. In addition there was no budget for pension strain and during 2015/16 so far, the redundancies of two employees have attracted a pension strain cost resulting in an overspend of £146k. Both of these overspends may be funded from an Earmarked Reserve if required, although they are currently reported as a forecast overspend of **£226k**.
- 2.7 **Premises:** The rent budget is anticipated to have an estimated outturn underspend of **£51k**. 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.
- 2.8 **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 £24k, however this is due to the stock levels valued at £66k 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.
- 2.9 **Supplies and Services:** Overall the Supplies and Services budget is expected to be overspent by **£204k**, due to a number of reasons: Equipment is expected to overspend by £24k, due to the issue of 5 thermal image cameras from stock which were purchased last year. Protective clothing is expected to overspend by £69k, due to the additional requirement for new Retained trainees this year, which was not anticipated when the budget was prepared

for 2015/16. Professional fees are anticipated to overspend by £13k in respect of additional advice required for condition surveys.

FireLink contract charges are anticipated to overspend 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, and this has caused an overspend with only part of the charge being met by government grant.

Offsetting these overspends are 2 underspends totalling £24k. External audit charges are anticipated to underspend by £11k, as a result of a 25% reduction in fees. In addition Insurance premiums are underspent by £13k with premiums charged at a slightly lower level than the budget.

- 2.10 **Support Services:** The budget for Firefighter pension scheme administration is expected to overspend by **£20k** in 2015/16. The proliferation of work arising from the introduction of the 2015 Firefighter Pension Scheme, as well as the new Modified Retained pension scheme has meant that the Pensions team at Leicestershire County Council requires additional staff resources 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.
- 2.11 **Capital Financing Costs:** The Minimum Revenue Provision charge has a forecast outturn underspend of **£131k**, which is mainly due to the underspent capital programme in 2014/15.
- 2.12 **Income:** The Income budget is forecast to be in surplus by **£207k** by the end of the year. This is because the Authority is receiving a Small Business Rate Relief Grant which has not been budgeted for in the year. 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. In addition the Authority will receive an additional funding from the Department for Communities and Local Government for New Dimensions and FireLink compared to the sum budgeted for.
- 2.13 **Industrial Action:** The additional net expenditure to date is **£41k** 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 £41k 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.

2.14 The table below shows the position of the revenue budget as at the end of August 2015:

Account Description	Annual Budget £	Profile Budget £	Actual YTD £	Commitments £	Net Expenditure £	Variance To Date £	Forecast Outturn £	Outturn to Budget £
Employees	32,684	13,459	13,723	35	13,758	299	32,967	362
Premises-Related Expenditure	2,180	1,102	868	185	1,053	-49	2,130	-50
Transport-Related Expenditure	1,907	1,333	900	404	1,305	-28	1,906	-1
Supplies & Services	3,449	1,769	1,728	165	1,893	124	3,653	204
Third Party Payments	126	49	32		32	-17	126	
Support Services	204	162	152		152	-9	229	25
Depreciation and Impairment Losses								
Sales Fees & Charges	-144	-52	-34	1	-33	20	-144	
Other Income	-1,419	-486	-488		-488	-2	-1,626	-207
Capital Financing Costs	2,225	352	175	171	346	-6	2,094	-131
	41,213	17,686	17,057	960	18,017	331	41,336	202
Industrial Action Costs				41		41		41

CAPITAL PROGRAMME

2.15 A capital programme for 2015/16 of £3,407k was approved by Members.

2.16 There was slippage in the 2014/15 capital programme and Members of the Combined Fire Authority approved that £5,882k of slippage be carried forward at the meeting on 26 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 £1,403k and the current capital programme is shown at Appendix A.

2.17 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 all the capital receipts and the capital grant received in previous years have been applied in 2014/15.

2.18 **Transport:** Three Rescue Pump appliances scheduled for 2014/15 are now built and undergoing the installation of the main scheme radio & SYSTEL MDT equipment prior to inspection. In preparation for the replacement Breathing

Apparatus (BA) sets and associated equipment some additional changes are being carried out to aid the rollout of the new BA equipment in 2017. Delivery of the vehicles is now anticipated to be early September.

The Service has now completed a collaborative procurement project with Derbyshire FRS for the next contract to supply replacement Rescue Pump appliances. A four year 'call off' contract has been awarded and appliances scheduled replacement in 2015/16 are now on order.

Certain Special Appliance projects are now underway with others subject to change with the planned requirements being amended. The Aerial Ladder Platform (ALP) from Mansfield has had bodywork repairs / minor refurbishment work completed on schedule. Subject to satisfactory inspection and testing, the Mansfield ALP will be returning to the Service in early 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.

- 2.19 **Equipment:** New radios for the incident ground have now been purchased and are being held in stock until training has been rolled out.
- 2.20 **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. Some of this budget will therefore be slipped forward to 2016/17.
- 2.21 **ICT:** In addition to the usual equipment replacement programme, there are three key projects taking place in 2015/16: The upgrade of the Finance Agresso Software, the development of Mobile Computing solutions and the upgrade of the Tranman Fleet Management system. The replacement of the corporate telephone system was started in 2014/15 and is expected to be delivered within 2015/16.
- 2.22 **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.
- 2.23 **Tri-Service Control:** the project to implement a Tri-Service Control system has completed Phase 1 and the system went live in September, with further payments due to be made soon. Phase 2 of the project will be starting in the near future.
- 2.24 **Finance:** a project to replace the current payroll system is in the planning phase and work has commenced. It is likely that part of this budget will be slipped into 2016/17.

2.25 **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.

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

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 August £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	281	-343	624	
Special Appliances		300	0	300	173	-127	300	
Appliance Equipment (radios)	17		0	17		-17	17	
Light Vehicle Replacement	381		0	381	45	-336	381	
	1,022	300	0	1,322	499	-823	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	672	-2,528	2,675	-525
Feasibility Plans	225		0	225		-225	198	-27
Retention Payments:		70	0	70		-70		-70
- Retford	60		0	60	50	-10	60	
	2,035	1,520		3,555	723	-2,832	2,933	-622
I.T. & COMMUNICATIONS								
Business Continuity & Disaster Recovery			0		15	15	15	15
Business Expansion			0		2	2	2	2
Replacement Equipment	140	9	0	149	51	-98	134	-15
Telephone PABX Replacement		105	0	105	74	-31	105	
SAN & Back Up Replacement		4	0	4		-4	4	
Business Process Automation		88	0	88	21	-67	88	
CFRMIS Online Services		47	0	47		-47	47	
Mobile Computing	60		0	60	5	-55	60	
	200	253		453	167	-286	455	2
HUMAN RESOURCES								
HR System Replacement	0	176	0	176	5	-171	176	
	0	176	0	176	5	-171	176	
TRANSPORT								
Tranman Software	25		0	25		-25	25	
	25			25		-25	25	
Learning and Development								
Incident Command Training							90	90
							90	90
CONTROL								
Tri-Service Control & Mobilising System	0	592		592	10	-582	592	
	0	592	0	592	10	-582	592	
FINANCE								
Payroll System Replacement	40	30		70	0	-70	35	-35
Finance Agresso Upgrade	70		0	70		-70	35	-35
	110	30		140		-140	70	-70
Grand Total	3,407			6,482	1,403	-5,079	5,882	-600
To Be Financed By :								
Capital Grant - General	0	0		0	0			
Capital Grant - TriService Control	592	0		592	10			
Capital Earmarked Reserve	90			90				
Capital Receipts	0	0		0				
Unused Borrowing b/f	0	0		0				
New Borrowing	5,800	0		5,800	1,393			
Internal Financing	0	0		0				
Total	6,482	0		6,482	1,403			