



**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 NOVEMBER 2015

Report of the Chief Fire Officer

**Date:** 15 January 2016

**Purpose of Report:**

To report to Members on the financial performance of the Service in the year 2015/16 to the end of November 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:** When the 2015/16 revenue budget was approved by the Fire Authority in February 2015 a £570k surplus was included within the £41.8m total budget which was budgeted to be contributed to general reserves. However the forecast outturn underspend is £471k, which falls short of the budgeted surplus by £99k. The primary causes of this variance include a Prince's Trust net budget deficit of £185k, and leasing rebates of £101k received as a result to changes to corporation tax rates.

The additional cost of industrial action by the Fire Brigades Union for 2015/16, as reported in the finance system, is £42k. 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 2.21 as there is no budget to cover this expenditure. Costs incurred will be funded from General Reserves. The forecast outturn position 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 £264k overspend, which is forecast to be a **£194k** overspend at year end due to two main reasons:

- Although there was an over-establishment of posts during the first four months of the financial year, wholetime staff numbers have been steadily falling throughout 2015/16. This decrease in staff numbers through natural wastage will be allowed to continue until the establishment reaches the new figure of 476 which was approved by Members at the Fire Authority meeting in December. As a result of this decrease, wholetime pay budgets excluding overtime are expected to be underspent by £22k at year end.

- Pre-planned and operational overtime is overspent to date by £204k. This will need to continue to some extent to cover ridership shortfalls but the amount spent has reduced in recent months as a result of management intervention. The overtime overspend is forecast to be **£216k** at year end.
- 2.3 **Retained Pay:** the Retained pay budget is underspent to date by £32k. However, due to difficulties experienced when extracting the relevant data from the payroll system, the actual expenditure figure to date does not include employer contributions for the new Modified Firefighters' Pension Scheme. When these employer contributions are factored in, the retained pay budget is actually overspent by £19k. The forecast outturn is an overspend of **£31k**. Although a number of retained employees have left during the year, Members will recall that the Chief Fire Officer has focused on the recruitment of retained firefighters in order to improve availability and capacity. The increased availability has affected the number of calls responded to by retained sections, which has contributed to the overspend and therefore future budgets have been increased accordingly.
- 2.4 **Administrative and Support Pay:** the budget is underspent to date by £152k. There are currently 12.2 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 a net underspend of **£187k**.
- 2.5 **Control Pay:** the budget is underspent to date by £41k. This variance is largely due to a vacant station manager post, although the saving arising from this has been partially offset by the cost of maternity leaves and acting up. The station manager post is likely to remain vacant for the rest of the year. In addition to this, Control overtime has been kept to a minimum. As a result of these factors, the forecast outturn is an underspend of **£52k**.
- 2.6 **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. The training budget is expected to underspend by **£54k**. £11k of this forecasted underspend relates to the Prince's Trust, and £43k relates to Fire Service College fees. The Prince's Trust underspend has arisen because fewer teams will be run in 2015/16 than had been anticipated. Further details about the budgetary position of the Prince's Trust can be found in paragraph 2.19. The Service's training budget is currently undergoing a base budget review, which will feed into the 2016 budget process.
- 2.7 **Pension Costs:** the pension revenue budgets are overspent to date by £65k, and are expected to be overspent by **£129k** at year end. 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. In addition to this, a further ill health retirement is anticipated before the end of the financial year. In total the budget for ill health charges to revenue is expected to overspend by £124k. The budget for injury pensions is expected to overspend

by £12k. This is due to an underlying forecasted underspend of £13k being offset by additional costs of around £25k. The underlying £13k underspend is due to both the pensions inflationary increase and the number of injury pension recipients being lower than expected. The additional costs of £25k relate to the amendment of calculation assumptions as advised by the Service's pension administrator. This estimate of £25k is based on the best information currently available, and does not include any arrears relating to previous financial years or any interest payable. Actual costs may therefore exceed this estimate.

- 2.8 **Redundancy and Pension Strain:** £369k has been transferred from the Organisational Transition earmarked reserve to fund redundancy and pension strain costs. There have been 5 redundancies in 2015/16 so far, with expenditure totalling £220k. A further four redundancies totalling £88k are expected before the end of the financial year, resulting in total expenditure of **£308k**. So far in 2015/16 the Service has incurred pension strain costs of **£294k**. Further costs are expected, but the timing is uncertain as there is often a delay between the occurrence of a redundancy and the settlement of a pension strain cost. As local government accounting rules dictate that pension strain costs must be accounted for in the year of payment, these additional costs are not included in the estimated outturn for 2015/16. The total forecasted overspend is therefore **£233k** against the budget of £369k. It is proposed that underspends from the non-uniformed pay budget be used to fund this deficit where possible, so that the remaining balance in the Organisational Transition earmarked reserve can be then be used for future expenditure of this nature.
- 2.9 **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.
- 2.10 **Fuel:** Fuel prices have fallen and the Transport department has reduced the budget in 2015/16 by £33k. The budget is overspending to date by £37k, however this is due to stock levels held in station bunkers. The forecast outturn is an underspend of £36k.
- 2.11 **Car Allowances:** The car allowances budgets are currently underspending by £7k, and the forecast outturn is an underspend of £13k. These budgets have been reviewed and a budget saving of £9k has been made in 2016/17.
- 2.12 **Supplies and Services:** Overall the Supplies and Services budget is expected to be overspent by **£262k**. This variance is due to a number of reasons:
- There is a net overspend of £109k in the budgets for operational equipment, PPE and uniform. This is primarily caused by an increase in

retained recruitment, preparations for the restructure of the Specialist Rescue Team which is due to take place in April 2016, and the issue of 5 thermal image cameras from stock which were purchased last year.

- Computer software maintenance contract charges are expected to overspend by £27k. This is due to a delay in the implementation of the Systel mobilising system, which meant that the maintenance contract with the previous mobilising system provider had to be extended.
- 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.
- The Authority has made a contribution of £130k towards the installation of sprinkler systems in social housing properties, which has been met from a contribution from earmarked reserves as planned. In addition there is expenditure of £12k relating to On Fire Fund Grant payments which are also funded by way of an earmarked reserve. There is an underlying underspend within the budget for Contribution to Partnership Working of £38k which is caused by a number of agreements and contracts either being re-negotiated or coming to an end. The budget has been reviewed and will be reduced in 2016/17.
- The printing budget is underspending by £11k to date, and the forecast outturn is an underspend of £15k. This is partly due to sickness absence and a vacancy within the Media Services Team, and partly due to changes in the way that communications services are being delivered.
- The reference books and publications budget is expected to underspend by £20k. The budget was increased by this amount in 2015/16 to fund the Service's contribution to the National Operational Guidance project, however the contribution was paid at the end of 2014/15 and it is now understood that no further contributions are required. £20k has therefore been removed from the reference books and publications budget 2016/17 onwards.
- Insurance budgets are expected to underspend by £11k due to the fact that the premium costs have come in lower than budgeted in some areas. This downward trend has continued in the insurance renewal tender that was received recently.

2.13 **Third Party Payments:** The budget for legal services has a forecast outturn underspend of **£30k**. This budget has overspent in recent years due to fees arising from two significant legal issues for the Authority, so the 2015/16 budget was maintained at a similar level to that in 2014/15. However, this year has seen activity returning to normal levels and this has resulted in an underspend. The budget has been reviewed and will be reduced in 2016/17.

- 2.14 **Support Services:** The budget for Firefighter pension scheme administration is expected to overspend by **£37k** 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 required additional staff resources to cope with the workload and continue to provide a good service. An additional 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.
- 2.15 **Capital Financing Costs:** Overall the capital financing costs budget is expected to underspend by **£280k**. £131k of this underspend is attributable to the minimum revenue provision charge, which is lower than anticipated due to an underspent capital programme in 2014/15. The remaining £149k underspend relates to interest charges. These charges relate to loan interest, and they are lower than budgeted because a decision was made to delay the replacement of a loan which matured in 2014/15 until the circumstances become more favourable.
- 2.16 **Income from Sales, Fees and Charges:** Overall the budget for sales, fees and charges income is forecasted to be in surplus by **£93k** by the end of the year. This is largely due to payments received from lease companies as a result of changes made to the rate of corporation tax and writing down allowances by Finance Acts between 2010 and 2014. As a consequence of these changes, the lease companies were required to adjust the lease rentals paid by the Service and refund the overpayments. £75k has been received to date, and a total of £101k is expected by the end of the financial year. This income was not included in the 2015/16 budget. The Service also received a one-off grant of £18k from the Department for Communities and Local Government for the Emergency Services Mobile Communications Programme. This income had not been included in the 2015/16 budget. Offsetting these surpluses is an estimated deficit of £28k for special services income. The amount of special services income received is expected to increase in 2015/16 as a result of the policy and new scale of charges approved by Members at the December meeting of the Fire Authority.
- 2.17 **Other Income:** The Income budget is forecast to be in deficit by **£143k** by the end of the year. The deficit is caused by a £250k shortfall in the amount of funding received by the Prince's Trust, more details of which can be found in paragraph 2.19. This deficit is partially offset by a surplus relating to the budget for the Small Business Rate Relief Grant. Notification of this grant is not received until the end of January in advance of the forthcoming financial year, and so the budget was based on an estimate which differed from the actual amount by £100k.
- 2.18 **Industrial Action:** The additional net expenditure to date is **£42k** 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 and will be funded from general reserves. Currently, the £42k is not shown as an outturn overspend.

2.19 **The Prince's Trust:** The Prince's Trust is expected to have a net budget deficit of £185k by the end of the year. This is mainly due to a withdrawal of funding from January 2016, resulting in a £250k shortfall in income. This shortfall is partially offset by underspending expenditure budgets. Underspends include £25k relating to salaries, £11k relating to training, £6k relating to transport costs, and £20k relating to supplies and services. These variances are included in the totals shown in the table in paragraph 2.21. A report will be presented to the Policy and Strategy Committee on 29 January 2016 giving full details of this issue.

2.20 **Earmarked Reserves:** As explained within the body of this report, there have been transfers from earmarked reserves totalling £500k to fund the following expenditure items:

- £370k has been transferred from the Organisation Transition earmarked reserve to fund the redundancy and pension strain costs that cannot be met from underspends on the non-uniformed pay budgets.
- £130k has been transferred from the LPSA Reward Grant earmarked reserve to fund the contribution made by the Service towards the installation of sprinkler systems in some new-build social housing properties.

Permission is sought from Members to re-designate the £220k earmarked reserve originally created to fund the Fire Control Collaboration Project, as this project has now been cancelled. It is now proposed that this earmarked reserve be used to fund Phase 2 of the Tri-Service Control Project.

2.21 The table below shows the position of the revenue budget as at the end of November 2015:

Account Description	Annual Budget £	Profile Budget £	Actual YTD £	Commitments £	Net Expenditure £	Variance To Date £	Forecast Outturn £	Outturn to Budget £
Employees	33,133	21,627	22,140	92	22,231	604	33,443	310
Premises-Related Expenditure	2,204	1,471	1,348	204	1,552	81	2,135	-69
Transport-Related Expenditure	1,907	1,272	1,229	332	1,561	290	1,857	-50
Supplies & Services	3,587	2,301	2,203	420	2,623	322	3,719	132
Third Party Payments	126	80	37	0	37	-44	96	-30
Support Services	198	82	193	5	198	117	235	37
Depreciation and Impairment Losses								
Sales Fees & Charges	-144	-88	-144	2	-142	-55	-237	-93
Other Income	-1,454	-1,002	-1,403	5	-898	104	-1,882	-427
Capital Financing Costs	2,225	0	404	0	404	404	1,945	-280
	<b>41,783</b>	<b>25,744</b>	<b>26,006</b>	<b>1,060</b>	<b>27,566</b>	<b>1,822</b>	<b>41,312</b>	<b>-471</b>

Industrial Action Costs

42

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## CAPITAL PROGRAMME

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

2.23 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 has been 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 £2,459k and the current capital programme is shown at Appendix A.

2.24 A capital grant has already been received, for the Tri-Service Control Mobilising system (£592k remaining). It is possible that new borrowing will be required towards the end of this year to finance the capital programme, as all of the capital receipts and the capital grant received in previous years have been applied in 2014/15.

2.25 **Transport:** The Rescue Pump appliances scheduled for 2014/15 have been recalled by Scania and are undergoing modifications with the local supplier. Subject to any further training required for employees as a result of the modifications, it is anticipated that these vehicles will be in use by January.



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 for replacement in 2015/16 are now on order. When slippage from 2014/15 into future years was approved earlier this year, it was anticipated that although the 2015/16 appliances would be ordered this year, stage payments were likely to be in 2016/17. An element of the slippage was therefore pushed into 2016/17, however the procurement of these vehicles has progressed more quickly than expected and this has resulted in expenditure in the current year taking place in advance of next year's slippage. The overspend in the current year is £266k and this will be deducted from the slippage carried into 2016/17 of £313k. The overall transport capital programme is expected to underspend in this year so there will be no adverse impact on the 2016/17 revenue budget.

Certain Special Appliance projects are now underway with others subject to change with the planned requirements being amended. There will be an underspend of £158k on Special Appliances which will be slipped into next year. The Aerial Ladder Platform (ALP) from Mansfield is now in use following its refurbishment.

A full review of light vehicle fleet usage is underway and this will result in options for future provision. No further light vehicles will be purchased until this review is complete and the remaining budget of £336k will be slipped into 2016/17.

- 2.26 **Equipment:** the project to purchase and roll out new radios for the incident ground has now completed.
- 2.27 **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.
- 2.28 **ICT:** In addition to the usual equipment replacement programme, there are three key projects programmed for 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 regional project to upgrade the finance system has suffered some delays and the budget for this will be slipped into 2016/17, along with that for the replacement payroll system. This latter project has started but is unlikely to result in any significant expenditure before the year end. The replacement of the corporate telephone system was started in 2014/15 and is expected to be delivered within the current year.
- 2.29 **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 nearing completion and the current underspend of £126k on the overall project will be slipped into 2016/17 and reported on once the project is complete.

- 2.30 **Tri-Service Control:** the project to implement a Tri-Service Control system has completed Phase 1 and the system went live in September. It has been assumed that some further stage payments will be made this year and Phase 2 of the project will be starting in the near future.
- 2.31 **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**

It is recommended that Members:

- 9.1 Note the contents of this report.
- 9.2 Approve the re-designation of the Fire Control Collaboration earmarked reserve of £220k to a Tri-Service Control Phase 2 earmarked reserve.

## **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 Revised Budget £000's	Actual to November £000's	Remaining Budget to be Spent £000's	Estimated Outturn £000's	Estimated Outturn Variance £000's
<b>TRANSPORT</b>							
Rescue Pump Replacement	624	-74	550	281	-269	816	266
Special Appliances		374	374	181	-193	216	-158
Appliance Equipment (radios)	17		17		-17	35	18
Light Vehicle Replacement	381		381	45	-336	45	-336
	<b>1,022</b>	<b>300</b>	<b>1,322</b>	<b>507</b>	<b>-815</b>	<b>1,112</b>	<b>-210</b>
<b>EQUIPMENT</b>							
Radio Replacement	15	204	219	0	-219	219	
	<b>15</b>	<b>204</b>	<b>219</b>	<b>0</b>	<b>-219</b>	<b>219</b>	
<b>ESTATES</b>							
Central Fire Station Rebuild	1,750	1,450	3,200	1,393	-1,807	2,675	-525
Feasibility Plans	225		225		-225	198	-27
Retention Payments:		70	70		-70		-70
- Retford	60		60	52	-8	60	
	<b>2,035</b>	<b>1,520</b>	<b>3,555</b>	<b>1,445</b>	<b>-2,110</b>	<b>2,933</b>	<b>-622</b>
<b>I.T. &amp; COMMUNICATIONS</b>							
Business Continuity & Disaster Recovery				15	15	15	15
Business Expansion				2	2	2	2
Replacement Equipment	140	9	149	105	-44	134	-15
Telephone PABX Replacement		105	105	84	-21	105	
SAN & Back Up Replacement		4	4		-4	4	
Business Process Automation		88	88	31	-57	88	
CFRMIS Online Services		47	47		-47	47	
Mobile Computing	60		60	22	-38	60	
	<b>200</b>	<b>253</b>	<b>453</b>	<b>259</b>	<b>-194</b>	<b>455</b>	<b>2</b>
<b>HUMAN RESOURCES</b>							
HR System Replacement	0	176	176	21	-155	50	-126
	<b>0</b>	<b>176</b>	<b>176</b>	<b>21</b>	<b>-155</b>	<b>50</b>	<b>-126</b>
<b>TRANSPORT</b>							
Tranman Software	25		25		-25	25	
	<b>25</b>		<b>25</b>		<b>-25</b>	<b>25</b>	
<b>Learning and Development</b>							
Incident Command Training						90	90
						<b>90</b>	<b>90</b>
<b>CONTROL</b>							
Tri-Service Control & Mobilising System	0	592	592	10	-582	592	
	<b>0</b>	<b>592</b>	<b>592</b>	<b>10</b>	<b>-582</b>	<b>592</b>	
<b>FINANCE</b>							
Payroll System Replacement	40	30	70		-70	0	-70
Finance Agresso Upgrade	70		70		-70	0	-70
	<b>110</b>	<b>30</b>	<b>140</b>		<b>-140</b>	<b>0</b>	<b>-140</b>
<b>Grand Total</b>	<b>3,407</b>		<b>6,482</b>	<b>2,459</b>	<b>-4,023</b>	<b>5,476</b>	<b>-1,006</b>
<b>To Be Financed By :</b>							
Capital Grant - General	0	0	0	0			
Capital Grant - TriService Control	592	0	592	592			
Capital Earmarked Reserve	90		90	90			
Capital Receipts	0	0	0				
Unused Borrowing b/f	0	0	0				
New Borrowing	5,800	0	5,800	4,794			
Internal Financing	0	0	0				
<b>Total</b>	<b>6,482</b>	<b>0</b>	<b>6,482</b>	<b>5,476</b>			