



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 2016

Report of the Chief Fire Officer

Date: 24 June 2016

Purpose of Report:

To report to Members on the financial performance of the Service in the year 2016/17 to the end of May 2016. 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 vital 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 2016/17 revenue budget of £41.295m was approved by the Fire Authority in February 2016 it was on the basis that a £98k deficit in the budget would be supported by a transfer from general reserves. This was in line with the Medium Term Financial Strategy which sets out as a principle that financial planning will take account of the possible use of reserves to minimise the effect of reductions in funding as a means of transition. At this early stage in the year it is difficult to forecast the revenue out-turn with any degree of accuracy, nevertheless some variances have been identified. The forecast outturn overspend is £100k but the variances which make up this figure can all be funded from the related earmarked reserves if required.
- 2.2 **Wholetime Pay:** the variance to date is an £80k overspend due to two main reasons:
 - The Wholetime establishment was reduced to 476 from 1st April 2016, in the knowledge that the actual number of employees would not reduce to this level through natural turnover until approximately the end of the financial year. As at the 31st May, the number of Wholetime employees in post was 488 and this has caused an overspend of £108k in the first two months of the year, which is reported as an outturn variance. Members approved the creation of a £350k earmarked reserve in 2016/17 to support the Wholetime pay budget during this period of transition and Members of this committee are asked to note that a transfer of £108k from this reserve into the Wholetime pay budget to fund this overspend will be effected.

- Pre-planned and operational overtime is underspent to date by £28k but no outturn has been forecast at this stage as this budget can be volatile and is liable to change.
- 2.3 **Retained Pay:** This budget is underspending by £18k to date for two main reasons: firstly turnout costs have been lower than expected and this reflects a fall in mobilisations compared to the same period in 2015/16; secondly the recruitment of new Retained firefighters has been slightly less so far this year than was assumed in the budget. Recruitment activity is on-going so an outturn forecast has not been made at this stage.
- 2.4 **Administrative and Support Pay:** the budget is underspent to date by £77k due to vacant posts within the establishment but some recruitment is underway. A number of temporary posts have been approved to work on projects and these can be funded from earmarked reserves if required (Public Sector Network – subset of Emergency Services Mobile Communications Project and e-Learning project). It is anticipated that the overall underspend this year from vacancies will amount to around £33k, with the overspend from project work amounting to around £112k. The forecast outturn is a net overspend of **£79k**.
- 2.5 **Pension Costs:** although the pension revenue budgets are underspent to date by £26k, they are expected to be overspent by **£59k** at year end. Ill health charges are overspending due to the ill health retirements of four employees in 2014/15, the final instalment of which will impact on the revenue budget this year. In total the budget for ill health charges is expected to overspend by £82k. The budget for injury pensions is expected to underspend by £23k due to there being no new injury pensions this year compared to a budget assumption of one new case.
- 2.6 **Finance Lease Extensions and Terminations:** the leased appliances which were used to bolster the fleet during industrial action periods have now been returned to the leasing company. The leases for these appliances had been extended and this overspend of **£16k** is for the final payment.
- 2.7 **Interest Charges:** No new long term borrowing has been taken so far this year and this will result in an underspend on interest charges. The Authority is advised by Capita on treasury management matters and, on advice, long term borrowing has been deferred until later in the year and temporary borrowing has been taken instead at a much lower rate. The forecast underspend is **£169k** and this estimate will be revised when a new loan is taken.

CAPITAL PROGRAMME

- 2.8 A capital programme for 2015/16 of £1,964k was approved by Members at the February 2016 Fire Authority meeting.
- 2.9 There was slippage in the 2014/15 capital programme and Members approved that £2,809k be carried forward to 2016/17 at the Fire Authority meeting on 26 June 2015. In addition there is slippage from

the 2015/16 capital programme and Members have been asked to approve this within the Out-turn 2015/16 Report which is also on this agenda. If approved, this will bring the total capital programme to £5,984k for the year. The total spend to date is £294k, the forecast out-turn expenditure is £3,679k and the current capital programme is shown at Appendix B.

- 2.10 A capital grant has already been received, for the Tri-Service Control Mobilising system (£319k remaining), as well as £6k of capital receipts from the sale of vehicles. The sale of Central Fire Station may complete this year and, if so, this will result in a capital receipt of £2.5m. New long term borrowing will be required this year to finance capital expenditure and a temporary loan of £4m was taken out in May in advance of this, to enable the management of cash.
- 2.11 **Transport:** The replacement programme for rescue appliances will need to slip into next year because a review is now underway to consider alternative fleet options to meet the objectives of the Sustainability Strategy 2020 and the operational need for vehicles required for Service Delivery. The outcome of this work will determine the type and number of vehicles within the long term vehicle replacement plan and should be known by February / March 2017. This budget will be used to complete the appliances which are already in build and the remaining sum of £907k will slip forward to 2017/18.
- 2.12 The budget for special appliances will be used this year to deliver a new Command Support Unit as planned, however the replacement HMEPU (Hazardous Materials and Environmental Protection Unit) requires re-specification to meet the changing needs of Service Delivery and duties of the Environmental Agency. The process of determining the equipment to be carried on the HMEPU is currently underway and will dictate the type of vehicle needed to fulfil this role. Until this process is complete it will delay the start of the specification of the vehicle itself and require slippage of £151k into 2017/18. This slippage will also impact on the equipment replacement budget, with around £29k of this expected to be carried forward to next year.
- 2.13 A review of light vehicle utilisation has been undertaken and the results of this now need to be considered and then fed into the medium term strategy for light fleet. At this stage in the year it can be assumed that some vehicles will be replaced before the year end, but it is likely that some of this budget will slip into next year and some of it will be permanently saved if, as is likely, it is determined that the light fleet size and specification can be reduced as a result of the review. An outturn of £150k is estimated but this is subject to change following finalisation of the review.
- 2.14 **Equipment:** The replacement Holmatro pumps and hoses have been ordered and will be delivered within the next month. There is a small overspend of £3k due to one more set of hoses being required compared to the planned replacement.

- 2.15 **Estates:** The new London Road Fire Station Project is due to be completed by the contractor and be handed over to NFRS 11 August 2016. The project is currently predicted to come in under the last budget report of £5.005m and is expected to be in the region of £4.7m. The majority of the project expenditure will be paid within the current financial year except for the contract retention and fees (estimated at circa £115k) which will be paid in the next financial year.
- 2.16 The new Newark Fire Station Project has now started with the early design work to rebuild the station on the western part of the same site whilst continuing to operate from the station on the eastern part of the site. Based on the information so far the estimated project cost is in the region of £3.2m; as the project proceeds and further information is gathered this figure will be refined and reported as necessary. On completion of the new station the surplus land will (the site of the existing station building) will be disposed of, which has currently been valued at circa £275k. The initial programme is indicating that the design and tendering for the project will be complete by March / April 2017 with a construction period of up to sixteen months with a project completion in the summer of 2018.
- 2.17 Work with the East Midlands Ambulance Service on the potential collaboration concerning the existing Hucknall Fire Station is underway with both organisations working toward agreeing terms of a collaborative arrangement. The details and budget impact of these negotiations are to be reported once a draft agreement has been reached.
- 2.18 The initial feasibility work for a new Worksop Fire Station is currently underway.
- 2.19 **ICT:** The ICT capital programme budget will be used throughout the year for on-going ICT purchases such as additional software and hardware along with consultancy services.
- 2.20 The Skype for Business (telephony replacement) project is projected to be completed by Oct 2016 and the Mobile Working budget will be used to purchase additional hardware.
- 2.21 Business Process Automation – this budget will continue to be used to finance ICT Strategic developments such as the implementation of the new SharePoint solution and migration to Office365. The earmarked reserve created for SharePoint will supplement specific expenditure related to this system.
- 2.22 For business systems, the implementation phase of the project to upgrade the finance and procurement system has started in collaboration with Leicestershire Fire and Rescue Service and is due to

be completed this year. The payroll replacement system project implementation phase is due to start soon and again is expected to be delivered by the year end. Phase two of the Tri-Service Control system project is in progress and the project to upgrade the transport system is in the options appraisal stage.

2.23 All ICT projects are expected to come in at around the budget sum at this stage in the year.

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 note:

- 9.1 The contents of this report.
- 9.2 That a transfer of funding of £108k from earmarked reserves to the Wholetime pay budget will be effected to fund the overspend of pay to date resulting from the planned over-establishment of posts.

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

None.

John Buckley
CHIEF FIRE OFFICER

APPENDIX A

Revenue Budget Monitoring to May 2016

| Account Description | Annual Budget £000's | Profile Budget £000's | Actual YTD £000's | Commitments £000's | Net Expenditure £000's | Forecast Outturn £000's | Outturn to Budget £000's |
|------------------------------------|-------------------------|--------------------------|----------------------|-----------------------|---------------------------|-------------------------------|-----------------------------------|
| Employees | 32,457 | 5,214 | 5,188 | 56 | 5,244 | 32,706 | 250 |
| Premises-Related Expenditure | 2,202 | 352 | 304 | 96 | 399 | 2,202 | |
| Transport-Related Expenditure | 1,704 | 408 | 371 | 66 | 437 | 1,720 | 16 |
| Supplies & Services | 3,667 | 835 | 556 | 274 | 829 | 3,671 | 3 |
| Third Party Payments | 58 | 10 | 14 | | 14 | 58 | |
| Support Services | 211 | 121 | 133 | 4 | 137 | 211 | |
| Depreciation and Impairment Losses | | | | | | | |
| Sales Fees & Charges | -193 | -30 | -23 | | -22 | -194 | |
| Other Income | -1,203 | -178 | 65 | -2 | 64 | -1,203 | |
| Capital Financing Costs | 2,392 | 0 | 22 | | 22 | 2,224 | -169 |
| | 41,295 | 6,732 | 6,630 | 493 | 7,124 | 41,395 | 100 |

APPENDIX B

Capital Budget Monitoring to May 2016

| Capital Programme Item | 2016/17 Approved | Slippage from 2014/15 Approved | Slippage from 2015/16 Draft | Virements | Total 2016/17 Draft | Actual to May 2016 | Remaining Budget Available | Forecast Outturn | Forecast Outturn Variance |
|--|-----------------------------|---|--|------------------|------------------------------------|-------------------------------|---|-----------------------------|--|
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Appliance Replacement | 907 | 313 | -240 | | 980 | 2 | 979 | 73 | -907 |
| Special Appliances | 52 | 202 | 119 | | 373 | 1 | 372 | 222 | -151 |
| Appliance Equipment | 26 | 36 | 17 | | 79 | | 79 | 50 | -29 |
| Light Vehicle Replacement | 173 | 394 | 336 | | 903 | 24 | 879 | 150 | -729 |
| Transport Total: | 1,158 | 945 | 232 | 0 | 2,335 | 26 | 2,309 | 495 | -1,816 |
| Special Appliances Equipment (Holmatro) | 157 | 0 | 0 | | 157 | | 157 | 160 | 3 |
| Equipment Total: | 157 | 0 | 0 | 0 | 157 | 0 | 157 | 160 | 3 |
| London Road Fire Station | 0 | 0 | 268 | 1,335 | 1,603 | 247 | 1,356 | 1,603 | 0 |
| Refurbishment and Rebuilding Fire Stations | 0 | 1,664 | 0 | -1,538 | 126 | | 126 | | -126 |
| Feasibility Studies & Station Design | 23 | 0 | 225 | -60 | 188 | | 188 | 111 | -77 |
| Newark Fire Station | 325 | 0 | 0 | 60 | 385 | 44 | 341 | 184 | -201 |
| Hucknall Fire Station | 0 | 0 | 0 | 203 | 203 | | | 203 | 0 |
| Worksop Fire Station | 0 | 0 | 0 | | 0 | | | | 0 |
| Retention Payments | 0 | 0 | 64 | | 64 | | 64 | | -64 |
| Property Total: | 348 | 1,664 | 557 | 0 | 2,569 | 291 | 2,075 | 2,101 | -467 |
| ICT Capital Programme | 140 | 0 | 14 | | 154 | 5 | 149 | 154 | 0 |
| Telephony Replacement | 0 | 0 | 35 | | 35 | 15 | 20 | 35 | 0 |
| Mobile Computing | 20 | 0 | 0 | | 20 | -31 | 51 | 20 | 0 |
| Business Process Automation | 95 | 200 | 0 | | 295 | -15 | 310 | 295 | 0 |
| ICT Total: | 255 | 200 | 49 | 0 | 504 | -25 | 530 | 504 | 0 |
| Agresso Upgrade | 35 | 0 | 70 | | 105 | | 105 | 105 | 0 |
| Payroll System | 0 | 0 | 100 | | 100 | | 100 | 100 | 0 |
| Tri-Service Control System | 0 | 0 | 178 | | 178 | 2 | 176 | 178 | 0 |
| Tranman Software | 11 | 0 | 25 | | 36 | | 36 | 36 | 0 |
| IT Systems Total: | 46 | 0 | 373 | 0 | 419 | 2 | 417 | 419 | 0 |
| Total Capital Programme: | 1,964 | 2,809 | 1,211 | 0 | 5,984 | 294 | 5,487 | 3,679 | -2,281 |

* Note: Slippage from 2015/16 has not yet been approved.

Financing of Capital Programme

| | <u>Budget</u> <u>2016/17</u> | <u>Actual to</u> <u>May 2016</u> |
|-----------------------------------|---------------------------------|-------------------------------------|
| Capital Grant Tri-Service Control | 178 | |
| Capital Receipts - Vehicles | 15 | -6 |
| Capital Receipts - Property | 2,500 | |
| New Borrowing | 3,291 | |
| Total Financing | <u>5,984</u> | <u>-6</u> |