



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 30 NOVEMBER 2017

Report of the Chief Fire Officer

Date: 19 January 2018

Purpose of Report:

To report to Members on the financial performance of the Service in the year 2017/18 to the end of November 2017.

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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 2017/18 revenue budget of £40.805m was approved by the Fire Authority in February 2017 it was on the basis that a £526k deficit in the budget would be supported by a transfer from general reserves, resulting in a net revenue budget of £40.279m. 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.
- 2.2 The forecast outturn for 2017/18 is £41.541m – see Appendix A. Of this, £718k is planned expenditure to be met from earmarked reserves, leaving a net total of £40.823m against the budget of £40.805m. This represents an overspend of £18k, meaning that the amount of funding to be met from the general fund is expected to be £544k rather than the £526k originally budgeted for. The total reserves required to support the 2017/18 revenue expenditure is £1.3m as detailed below:

	2017/18 Budget £'000	Forecast Outturn £'000
Expenditure	40,805	41,541
Income	(40,279)	(40,279)
Earmarked Reserves	0	(718)
Use of General Fund Reserves	(526)	(544)
Total	0	0

2.3 Details of the major variances are shown below:

- Wholetime pay (excluding overtime) is forecasted to overspend by £144k after taking account of a forecast surplus of £187k against the secondment income budget and £68k of grant funding.
- Control pay is forecast to overspend by £69k.
- Firefighter pensions are forecast to overspend by £467k, £309k of which will be funded from earmarked reserves.
- The business rates budget is expected to overspend by £232k.
- The capital financing budgets for interest charges and minimum revenue provision are expected to underspend by a total of £207k.
- The budget for the rent of premises is forecasted to underspend by £73k.

2.4 These significant variances are explained further in the report below, together with details of other key variances. The Revenue Monitoring position is shown in summary at Appendix A.

2.5 **Wholetime Pay:** the variance to date is a £333k overspend. This overspend is expected to increase to £429k by the end of the year, although some of this relates to backfilling seconded posts which has attracted additional income of £215k. After adjusting for the additional income and £68k funded from a grant, the net overspend is expected to be **£144k** by the end of the financial year. This is mainly due to overspends on basic pay, employer's pension contributions and employer's national insurance contributions, and an underspend on bank holiday pay:

- Wholetime pension costs are forecast to overspend by **£257k** by the end of the financial year, although this overspend is reduced to £230k once secondment income and grant funding are taken into consideration. The budget is overspent by £166k to date. This is due to a higher than proportion of firefighters in the more expensive 1992 and 2006 pension schemes than was budgeted for.
- This budget is currently overspent by £67k. There is an expected shortfall of **£89k** by the end of the financial year due to an insufficient budget which has been rectified for the 2018/19 budget process. This will be £60k once grant funding and secondment income have been accounted for.
- Wholetime basic pay is underspent by £13k to date. The current forecast for the year is for an overspend of around **£30k**, which is reduced to an underspend of £199k once grant funding and secondment income have been taken into consideration. This is due to an under-establishment of posts, which will partly be rectified in March when it is expected that 10 firefighters will migrate from the retained duty system. The outturn position assumes that firefighters will retire according to estimated retirement profiles.
- Overtime is expected to overspend by **£112k**. Of this, £42k relates to unplanned overtime which is incurred due to crews remaining at

incidents after their shifts have ended. £60k relates to planned overtime which is used to cover shortfalls on the ridership. Planned overtime is overspent to date by £133k, however arrangements have been put in place to significantly reduce the number of overtime shifts worked during the remaining months of the financial year.

- Bank Holiday pay is expected to underspend by **£59k**. This is largely due to a recent change in accounting policy which means that bank holiday and overtime payments made in arrears will no longer be accrued for at year end. This policy change is intended to speed up the accounts closure process, and has been approved by the external auditors. The average amount paid per bank holiday so far, this year is also lower than the amount budgeted. The budget assumptions will be reviewed when the 2018/19 budget is calculated.
- An interim pay settlement of 1% has been agreed whilst the final pay settlement negotiations are ongoing. The estimated outturns include this pay award of 1% backdated to July. If the final settlement exceeds 1% this will obviously increase the forecasted overspend. For example, a final overall settlement of 2% will increase the forecasted overspend by around £185k.

- 2.6 **Retained Pay:** This budget is underspending by £17k to date, and this underspend is expected to increase to **£27k** by the end of the financial year. This is largely due to actual establishment numbers being lower than budgeted. If the pay award is agreed at 2% it will decrease the forecasted underspend from £27k to £6k.
- 2.7 **Administrative and Support Pay:** the variance to date is an overspend of **£59k**, however the budget is expected to underspend by **£14k** by the end of the year. £108k of the forecasted expenditure relates to projects that can be funded from earmarked reserves so there is an underlying underspend of **£123k**. The Authority has opted to prepay the secondary LGPS contributions for the three years to 31 March 2020 by making a single lump sum payment of £602k. This has resulted in a saving of £33k. At the moment two thirds of this payment have been written forward into future financial years, however in the past other authorities have received different opinions on what the correct accounting treatment should be. This Authority will seek to clarify the accounting treatment with its external auditors, and members will be informed if the position changes.
- 2.8 **Control Pay:** the variance to date is an overspend of **£43k**, and this budget is expected to overspend by **£69k**. This variance is partly due to the creation of a temporary group manager post to work on the Emergency Services Network project. The estimated outturn assumes that a pay award of 1% will be backdated to July. If the pay award is agreed at 2% it will increase the forecasted overspend by £9k.
- 2.9 **Pension Costs:** the variance to date is an overspend of **£75k**, however the pension revenue budgets are expected to overspend by around **£467k** due to some reclassifications of ill health pensions which need to be funded by the authority rather than the pension fund as reported to the Committee on 13 October. There is an ongoing cost to the authority of £48k per annum.

Ill health charges are forecast to underspend by **£51k** based on lower than expected ill health retirements during the year.

2.10 Premises Related Expenditure:

The business rates budget is overspent to date by £173k, and this overspend is expected to increase to **£232k** by the end of the financial year after the authority lost appeals on several business rates revaluations as previously reported.

- The budget for the rent of premises is forecasted to underspend by **£73k** by the end of the financial year due to the earlier vacation of the Central Fire Station at the Guildhall than was budgeted for (£35k) and an over accrual for 2016/17 utilities costs (£38k).
- The budgets for the energy costs is forecasted to overspend by **£17k** by the end of the financial year, this is a volatile budget as it depends on consumption, weather conditions and prices.
- The building maintenance budget is forecasted to overspend by **£95k** by the end of the financial year which is attributable to remedial work resulting from compliance testing which has been funded from earmarked reserves (£95k).

2.11 Transport Related Expenditure:

- **Fuel:** the fuel budget is expected to underspend by **£43k** by the end of the financial year. This is due to a reduction in the use of light vehicles which has been made possible by their reallocation, fuel prices were lower due to the price of crude and fewer miles being travelled by fire appliances as a result of a decrease in mobilisations.
- **Officers' Vehicle Leasing:** the Officer's Car Leasing budget is expected to underspend by **£23k** due to a lower than anticipated take up of the scheme.

2.12 **Supplies and Services:** Overall the Supplies and Services budget is expected to be overspent by **£85k**, this overspend is mainly due to **£60k** Partnership Contributions being made, computer software contracts overspend of **£58k** relating to the fire control and resilience crewing, **£17k** for the software on the safe and well project, these overspends can be met from earmarked reserves. In addition, offsetting these are underspends of **£24k** from the implementation of the Skype telephony system has also been achieved. Breathing apparatus is anticipated to underspend by **£40k** this is due to the procurement process of the new breathing apparatus being purchased from the capital programme in year. The anticipated costs that can be funded from the earmarked reserves is **£160k**.

2.13 **Government Revenue Grants:** there is a forecasted surplus of **£89k** relating to Government Revenue Grants. The budget of £461k consisted of an estimated £122k relating to New Dimensions and £339k relating to Firelink. The Home Office has indicated that the amount of Firelink grant that the

Authority will receive will increase to £373k, however the amount relating to New Dimensions will reduce to £91k due to the decision to withdraw funding for the Incident Response Unit (IRU). The IRUs will be replaced nationally by Mass Decontamination Units following a review of Mass Decontamination Capability carried out by the Home Office. The Authority has been chosen to host a Mass Decontamination Support vehicle, but it is not yet known what the funding arrangements for this will be. The Authority has also been notified that it will receive a £29k grant for National Resilience Service and Maintenance.

- 2.14 **Secondment income:** there is a forecasted surplus of **£187k** relating to secondment income. This is due to two secondments which were arranged after the budget for 2017/18 had been calculated. This has been used to offset wholetime pay (section 2.2)
- 2.15 **Capital Financing Costs:** Overall the capital financing budgets are forecasted to underspend by **£207k** by the end of the financial year. This variance is comprised of two elements:
- **Interest charges:** the budget for interest charges is expected to underspend by **£116k**. In March 2017, the Authority took out a long term loan for 2.45% from the Public Works Loans Board (PWLb). This was 0.41% lower than budgeted for. In addition, further borrowing of £2m has now taken place in December, one loan was for £1m over 9.5 years at 1.96% and a further £1m over 49.5 years at 2.3% these rates are again at a lower rate than budgeted for.
 - **Minimum Revenue Provision:** the budget for the minimum revenue provision (MRP) charge is expected to underspend by **£91k**. The budget for the MRP charge was calculated in the autumn of 2016 and was based on estimated capital expenditure for 2016/17 of £3,308k. The actual capital expenditure for the year was £2,048k, as there has been a significant amount of slippage into 2017/18. This has resulted in an underspend for 2017/18.

RESERVES

- 2.16 Details of the use of reserve movement during 2017/18 can be found in Appendix B. A total of £1.47m is expected to be utilised from reserves during the year - £1.27m to fund revenue expenditure and £200k to fund the capital programme. The earmarked reserve balance (including items committed) at the end of the financial year is expected to be £2.1m and the General Reserve £7.3m.

CAPITAL PROGRAMME

- 2.17 The current approved 2017/18 capital programme is £6.174m. The total spend to date is £2,004k, the forecast out-turn expenditure is £4.162m and the current capital programme is shown at Appendix C.
- 2.18 **Transport:** The decision to extend pumping appliance life to 15 years has changed the replacement programme for rescue pump appliances and there will be no further appliance acquisitions before 2019/20. A review of the

existing appliance equipment inventory will help inform the types of vehicles required to meet the operational need of Service Delivery and help fulfil the objectives of the Sustainability Strategy 2020. The outcome of this work will determine the type and number of vehicles required for part of the overall long-term vehicle capital replacement plan.

Budget slippage has been used to complete two new appliance builds. Following delivery to the Service these appliances will have their radio & mobile data equipment installations completed. The vehicles will then be moved to Learning & Development for end user training before both vehicles go in to service.

- 2.19 The Command Support Unit is currently under review as a potential collaboration project with Derbyshire Fire and Rescue Service (DFRS). The HMEPU (Hazardous Materials and Environmental Protection Unit) requires re-specification to meet the changing needs of Service Delivery and duties of the Environment Agency. This vehicle is also under review as a potential collaboration project with DFRS. It is anticipated that £150k will require slipping from the Special Appliances budget into 2018/19.
- 2.20 A review of light vehicle utilisation has been undertaken and further work is now in progress to look at ways of working which will promote more effective use of the light vehicle fleet. Orders have now been placed for the vans and the other light vehicles, the delivery of some of some of the vehicles is anticipated to be early April. If this is the case slippage will be required for the vehicles that are delivered in the new year. It is anticipated that there may be a saving however this is subject to the final tender and will be reported in subsequent monitoring reports.
- 2.21 **Equipment:** The procurement phase of the breathing apparatus project for 2017/18 has taken place and the go live date was July 2017. The final invoices have not been received at this stage. An estimated outturn of £479k is anticipated for this financial year. In addition, £110k will be slipped into 2017/18, the overall underspend to of £94k is due to a robust procurement and tendering process.
- The £180k procurement of the lightweight fire coats is expected to slip to 2018/19 as this project will be carried out in collaboration with DFRS.
- 2.22 **Estates** The London Road Fire Station Project is now complete and the new station was handed over to NFRS on 12 August 2016. The final account and report for this project is expected by the New Year once the contractor has completed any outstanding snagging works; the final payment is expected to be in the region of £120k and will be paid once NFRS are satisfied with the completion of the snagging works. The post project report for the London Road Fire Station will be completed in the New Year.
- 2.23 The contractor for the new Newark Fire Station Project was appointed in March 2017 and work started on site with the demolition of the buildings on the western part of the site completed in June. Progress on the new fire station remains on schedule for completion of the first phase by March 2018. The existing fire station remains operational throughout the new build project.

The completion of the project is anticipated for May 2018 subject to the completion of the second and final phase of the project.

- 2.24 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 have been reported to Finance and Resources Committee on the 13th October 2017.
- 2.25 The initial work for a new Worksop Fire Station is currently underway; this will include a strong potential for collaboration with the Police and Ambulance Service in a joint project. A report regarding this project is to be presented to the Finance and Resources Committee in April 2018.
- 2.26 **ICT:** The £452k ICT Capital Programme is progressing to plan.
- 2.27 Mobile Computing – this budget is financing a variety of projects and equipment purchases relating to the growing use of mobile computing across the Service.
- 2.28 Business Process Automation – this budget will continue to be used to finance ICT Strategic developments, most notably the implementation of the new Microsoft SharePoint website, intranet, extranet and document management solution. The slippage on this budget from 2016/17 will be used to fund the completion of the SharePoint programme of work, the upgrade of the Service electronic door-entry system, the implementation of new electronic learning management solution and a replacement Occupational Health system.
- 2.29 The Performance Management – this project is piloting the use of two systems, as part of the feasibility study and options appraisal phase of the project. The assessment of the first product (Microsoft PowerBI) is completed and the review of the second product (Microsoft SQL Server Reporting Services) commenced in November 2017. The additional time required to fully assess both products will mean that the project will be slip beyond the end of the current Financial Year, but should be completed by June 2018 at the latest.
- 2.30 For business systems, the payroll replacement system project phase one is now implemented and went live on the 1st of May 2017; phase two is in its early stages with a go live date of 1st April 2018. It is anticipated that phase 2 will not need additional consultant days at this stage. 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.

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. COLLABORATION IMPLICATIONS

This report identifies several areas where collaboration is taking place between NFRS, other fire authorities, East Midland Ambulance Service and Nottinghamshire Constabulary. Opportunities for collaboration around asset use and ownership are continually being investigated.

10. RECOMMENDATIONS

It is recommended that Members:

10.1 Note the contents of this report.

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

None.

John Buckley
CHIEF FIRE OFFICER

APPENDIX A

REVENUE BUDGET MONITORING TO 31 NOVEMBER 2017

	Annual Budget £'000	Profile Budget £'000	Actual YTD £'000	Commitments £'000	Net Expenditure £'000	Forecast Outturn £'000	Outturn to Budget £'000
Employees	32,499	22,022	21,991	568	22,559	33,421	922
Premises-Related Expenditure	2,099	1,362	1,423	140	1,563	2,372	273
Transport-Related Expenditure	1,521	1,014	841	184	1,026	1,461	-60
Supplies & Services	3,624	2,575	2,328	387	2,679	3,709	85
Third Party Payments	58	39	26	2	28	58	0
Support Services	165	33	32	49	81	166	1
Depreciation and Impairment Losses	0	0	0	0	0	0	0
Sales Fees & Charges	-147	-81	-118	-1	-119	-166	-19
Other Income	-1,519	-1,010	-872	0	-872	-1,778	-259
Capital Financing Costs	2,505	0	419	20	439	2,298	-207
	40,805	25,953	26,071	1,348	27,383	41,541	736
Funding							
Revenue Support Grant	6979					6979	0
Business Rates	3470					3470	0
Top Up Grant	6659					6659	0
Council Tax	23171					23171	0
General Reserves	526					494	18
Earmarked Reserves	0					718	718
Total	40,805					41,491	736

Reserves Statement as at 30 November 2017

Reserve	Opening Balance 31/03/2018	Movement During 2017/18	Committed	Estimated Balance 31/03/2018
£				
FUNDED BY GRANTS				
Fire Investigation	-119,978	21,747	20,000	-78,231
Safe as Houses - Smoke Alarms	-21,661		7,290	-14,371
Community Safety - Innovation Fund	-200,594	0	108,205	-92,389
Resilience Crewing and Training	-451,740	94,257	66,600	-290,883
Thoresby Estate Charitable Trust	-3,011	205	0	-2,807
National Resilience	1			1
LPSA Reward Grant	-173,952	47,750	20,000	-106,202
Public Health England - Safe and Well	-10,000	10,515	5,000	5,515
				0
Sub total	-980,936	174,474	227,095	-579,367
CREATED FROM REVENUE				
Fire Control Collaboration Project - Redesignated as "Tri Service Control Phase 2" as per F&R Committee 15/01/16	-362,938	95,260	36,000	-231,678
ICT Sharepoint Internet/Intranet	-97,086	65,927	0	-31,159
Fire Cadets Project	-22,648	0	0	-22,648
ESN RAP Work	-891,974	23,709	828,515	-39,750
Backlog Buildings Maintenance	-95,000	0	95,000	0
Pensions Ill Health	-309,322	309,322	0	0
On Fire Fund - Fire Safety	-86,749	7,719	0	-79,030
Capital Reserve	-1,114,276	200,000	0	-914,276
Operational Equipment	-10,000	0	0	-10,000
ICT Systems - Emergency Services Mobile Comms	-15,506			-15,506
Agresso Development	-63,359	510	20,000	-42,849
Organisation Transition - one off costs	-348,513	6,498	221,001	-121,014
Swan Project - Ashfield	-217			-217
Taxation Compliance	-10,000			-10,000
HEP B - Vaccinations	-22,000	994		-21,006
Communications Development - ESN	-251,863	211,784	47,561	7,482
Retained Policy Change	-212,000	0	212,000	0
Sub Total	-3,913,451	921,723	1,460,077	-1,531,652
				0
Total Earmarked Reserves	-4,894,387	1,096,197	1,687,172	-2,111,018
				0
General Reserve	-7,836,422	544,000	0	-7,292,422
				0
Total	-12,730,809	1,640,197	1,687,172	-9,403,440

Budget Monitoring Short Report for Nov 2017

	2017/18 Approved Budget £000's	Slippage from 2016/17 to be Approved £000's	2017/18 Revised Budget £000's	Actual to Nov £000's	Remaining Budget to be Spent £000's	Estimated Outturn £000's	Estimated Outturn Variance £000's
CAPITAL PROGRAMME							
TRANSPORT							
Rescue Pump Replacement				13	13		
Special Appliances	379	151	530		-530	0	-530
Appliance Equipment (radios)	28	30	58		-58	58	
Light Vehicle Replacement	733	116	849	32	-817	600	-249
	1,140	297	1,437	45	-1,392	658	-779
EQUIPMENT							
Special Appliances Equipment (Holmatro)							
BA Sets	595	87	682	477	-205	479	-203
Conversion of hose reel equipment	200		200		-200		-200
Lightweight Fire Coat	180		180				-180
	975	87	1,062	477	-405	479	-583
ESTATES							
London Road Fire Station	0	120	120	1	-119	120	
Refurbishment and Rebuilding Fire Stations	0	126	126		-126		-126
Feasibility Studies & Station Design							
Newark Fire Station	1,473	385	1,858	965	-893	2,142	284
Hucknall Fire Station	527	203	730	14	-716	21	-709
Worksop Fire Station	0	0				20	0
	2,000	834	2,834	980	-1,854	2,303	-551

	2017/18 Approved Budget	Slippage from 2016/17 to be Approved	2017/18 Revised Budget	Actual to Nov	Remaining Budget to be Spent	Estimated Outturn	Estimated Outturn Variance
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
I.T. & COMMUNICATIONS							
ICT Capital Programme - Replacement Equipment	140		140	197	57	140	0
Mobile Computing	20		20	13	-7	20	0
Business Process Automation		189	189	148	-41	129	-60
Telephony Replacement				18	18		
Performance Management System	103		103	9	-94	28	-75
	263	189	452	385	-67	317	-135
TRANSPORT							
Tranman Software		36	36	3	-33	52	16
		36	36	3	-33	52	16
CONTROL							
Emergency Services Mobile Communications	117		117	3	-113	117	0
Emergency Services Mobile Communications - Earmarked Reserve				72			
Tri-Service Control & Mobilising System	0	171	171		-171	171	0
	117	171	288	75	-284	288	
FINANCE							
Payroll System Replacement		45	45	40	-5	45	0
Finance Agresso Upgrade		20	20		-20	20	0
		65	65	40	-25	65	
Grand Total	4,495	1,679	6,174	2,004	-4,061	4,162	-2,032

	2017/17 Approved Budget £000's	Slippage from 2016/17 £000's	2017/18 Revised Budget £000's	Actual to June £000's
To Be Financed By:				
Capital Grant - General				
Capital Grant - TriService Control	171		171	
Emergency Services Mobile Communications -Earmarked Reserve	200		200	72
Capital Receipts - Property	477		477	475
Capital Receipts - Vehicles				47
New Borrowing	5,326		5,326	1,411
Internal Financing				
Revenue contributions to capital				
Total	6,174		6,174	2,005